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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2428



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29 July 1983

## EAST EUROPE REPORT

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## INTERNATIONAL AFFAIRS

### WESTERN ECONOMIC SANCTIONS AGAINST CEMA COUNTRIES SCORED

East Berlin AW-DDR AUSSENWIRTSCHAFT in German Vol 11 No 20, 11 May 83 pp 5-6

['Economic-Political Information' feature by Information and Public Relations Department, GDR Ministry for Foreign Trade: "COCOM--Export Control Organ of Imperialist Countries Against the USSR and the Other Socialist States"]

[Text] The disputes concerning the economic policy of the leading imperialist states toward the CEMA countries have considerably intensified on the eve of the planned conference of heads of state and government from leading capitalist industrial countries, which is scheduled for 28 to 30 May in Williamsburg (United States). It is the intention of the U. S. president, R. Reagan, that questions of East-West economic relations, especially the dispute concerning the further shaping of their course within the framework of the economic warfare unleashed by U. S. imperialism, should form a focus of this meeting. Evidently, Reagan wants to have on the agenda as a special point also the export controls established by the COCOM organization (Coordinating Committee for West-East Trade). According to Western press organs, Reagan intends to insist again that "for reasons of security, in the future the Western alliance should restrict trade with the Eastern Bloc, especially with the Soviet Union, by way of a coordinated course of action."

Even today, the fable of the Soviet "military threat" still serves as the main argument in the justification of such measures. But the government of the United States is putting particular stress on the development and strengthening of the multilateral export control system, which would prevent the importing of a number of goods by the Soviet Union and other socialist countries. In this connection, the United States credits COCOM with having the leading role in the practical materialization of this policy.

#### Goals of COCOM

COCOM is an organization within whose framework the United States and its allies coordinate their policy on restricting the exporting of those goods which have "strategic importance" into the USSR and other socialist countries. The original proposal on creating such an organ had been made by the United States and had been discussed with Great Britain and France immediately after World War II. In the same measure as the United States intensified its anti-Soviet line, it also ventured upon increasingly more persistent attempts to include its allies in these measures, so that in November 1949 COCOM was created as a result of secret negotiations.

COCOM began its work on 1 January 1950. Its original members were the United States, Great Britain, France, Italy, the Netherlands, Belgium, and Luxembourg. Early in 1950 Norway, Denmark, Canada, and the FRG joined it, in 1952 Portugal, and in 1953 Japan, Greece, and Turkey.

Sweden, Switzerland, Iceland, Austria, and Finland refused to become members of COCOM. They declared that they would adopt a neutral position on the question of control over exports into socialist countries.

Thus, at present 15 states are members of COCOM: All the NATO countries (except Iceland and Spain) and also Japan.

After World War II above all, the United States has exploited the existing dependence on it of many capitalist industrial countries.

COCOM is a standing international organ which works under the de facto patronage of NATO, although it does not formally belong to the system of this aggressive bloc. The headquarters of COCOM are in Paris. COCOM is an unofficial organization whose decisions are not legally binding on its member countries. Adherence to them requires corresponding rules passed by national legislation (lists of the goods "to be controlled" and sanctions).

#### Increased Conflicts of Interest Among the COCOM Member States

With the expansion of mutually advantageous trade between the West European capitalist industrial countries plus Japan and the socialist countries since the end of the 1950's, with the strengthening of the economies of these countries, and with the development of science and technology and a diminishing of their dependence on the United States, the differences of opinion within COCOM have intensified. The partners and simultaneous competitors of the United States have been less and less inclined to subordinate themselves to the dictates of Washington in trade policy. In the United States itself there has been increasingly more frequent criticism of its own system of controls over exports to the socialist countries--a system significantly more extensive than analogous systems in other capitalist industrial countries--as being an ineffective system which diminishes the competitiveness of U. S. firms vis-a-vis their rivals. Because of its deficits in the balance of payments, which have rapidly grown since the end of the 1950's, and also because of later deficits in the trade balances, the question of the expansion of exports has become more timely. Therefore in December 1969, after long debates in Congress, the United States revised the law on export controls from the year 1947 and reduced its national list of "controllable" goods for shipments to socialist countries. The subsequent law which was passed in 1979 ("Export Administration Act") and which remains in effect until September 1983 provides that the export control in the United States is not to include any goods which the USSR can acquire in other countries.

At the same time, the United States began to devote more and more attention to improving "coordination" with its allies in the area of multilateral export controls. In a U. S. law passed in 1979 it was clearly emphasized that the U. S. president is to enter into negotiations with leading representatives of other COCOM member countries and in particular is to hold meetings periodically

on the highest level, in order to achieve an agreement on a more effective procedure for multilateral control. This trend in the policy of the United States was reinforced with the accession to office of Ronald Reagan, who in his election platform had already criticized the Carter Administration because its failed attempts to achieve a unified point of view on the problems of East-West trade had created, he said, an additional temptation for the allies to pursue an independent policy.

#### Priorities and Main Orientations of the COCOM Work

The ongoing work of COCOM is characterized by three main orientations:

Preparing lists of those goods and technologies which are forbidden to be exported to socialist countries,

consultations on deletions from these lists,

conferences on questions of compliance with and the strict putting into practice of the stipulated restrictions.

Depending on the character of the goods and their use or application, there are three lists:

- a) Weapons,
- b) Equipment relating to the utilization of nuclear power,
- c) Industrial equipment.

The first two lists contain those goods whose exporting is absolutely forbidden.

The third list covers goods of so-called double application, which in principle can also be used for military purposes and which reflect a high degree of scientific input. This list consists in turn of three other lists. The first is called the "International Embargo" and contains those goods which must not be sold to socialist countries, unless an exemption is ordered on the basis of a special declaration by the supplier. In the second list those goods are enumerated whose exporting is limited in quantity, with any shipments of these beyond this limit likewise requiring a special permit. The third list gives those types of goods whose exporting to socialist countries can be done "under the supervision" of a governmental organ of the supplier country, to ensure that they are not to be used for military purposes.

Ten main categories of goods are named in the list "International Embargo":

- Metalworking equipment,
- chemical and oil-well equipment,
- electrical devices and systems for electric-power generation,
- products of general machine-building,
- conveying equipment,
- electronic and precision devices,
- metals, minerals, and derived products,
- chemicals and metalloids,
- petroleum products,
- products made from rubber.

This list is practically identical to the national lists which the member countries of COCOM have published. The U. S. list is somewhat more extensive than the general COCOM list, since it also includes those goods which are not subject to the multilateral control.

#### The United States Exerts Pressure on Other COCOM Members

The United States is constantly exerting pressure on the other COCOM members to get them to enlarge their lists. At the same time the United States periodically alters and updates its lists in order to strengthen the competitiveness of U. S. firms over the West European and Japanese businesses. Consequently, the COCOM lists are also periodically reviewed and revamped after complicated and prolonged negotiations. In a review conducted in the years 1979/80, the number of groups of goods to be controlled declined somewhat (to 125). But this does not signify any liberalization, since at the same time many items were expanded or updated. Every week, the representatives of the member countries meet in Paris in order to discuss "exemptions" from the lists.

With the intensification of East-West trade, the U. S. administration made other attempts to tighten control on the COCOM level. Its main demands on the other COCOM members were

- strict observance of the COCOM lists,
- absolute dispensing with "exemptions," and
- formulating a unified, tougher export policy.

But these demands met with resistance on the part of the other COCOM countries.

#### More Control Over Exports to the USSR by the U. S. Government

As a part of its anti-Soviet policy, the U. S. government under Ronald Reagan also intensified its activities in the area of export controls. At the conference of heads of state and government of the seven leading capitalist industrial countries in July 1981, the U. S. president asked the COCOM member countries to sharply reduce economic relations with the Soviet Union. This viewpoint found no more support than R. Reagan's call for a refusal to participate in the construction of the natural-gas pipeline from Siberia to West Europe. However, the United States did succeed in getting questions of trade with the Soviet Union to be discussed at the highest level within the framework of COCOM.

On the basis of the introduction of martial law in Poland in December 1981, the United States also decided on additional restrictions to economic relations with the USSR, and it forced the summoning of a COCOM conference, with regard to which it sought to exert an influence in advance on its results. This conference took place early in 1982 in Paris. Here the U. S. delegation made the following demands:

- stricter adherence to the prohibitions against shipments of "critical technology" to the USSR, including modern computers, electronic components, semi-conductors, and equipment for glass-fiber communications and various metallurgical processes,



- complete cessation of shipments to the USSR of goods for civilian needs when these may also be used for military purposes,

- restriction of participation by Western states in the establishment in socialist countries of enterprises which may have a "strategic" significance, as well as in the training of specialists from these countries in the application of progressive technologies, on the pretext that this could contribute to the development of the Soviet arms industry,

- automatic submission to approval by COCOM of all contracts with socialist countries having a value of \$100 million or more, in order to avoid the shipping of "sensitive" technologies and the strengthening of the military capability of the USSR, and

- dispensing with "exemptions" from the COCOM lists.

#### Present Tightenings in the Area of East-West Economic Relations

At the COCOM conference in Paris on 17/18 March 1983 and after the failure of the embargo initiated by it against the construction of the natural-gas pipeline between the Soviet Union and West Europe, the United States had attempted anew to tighten up the "restrictions on shipments of strategically and technologically crucial goods to the USSR" and other CEMA states.

To that end, in recent weeks a series of tightened measures were introduced and corresponding statements were made by the United States.

#### "Directive 75"

The "Directive 75" issued by the U. S. president in March 1983 provides sweeping trade-policy measures by the United States against the socialist states, especially against the Soviet Union, with the objective of using economic pressure to force the Soviet government to change its policy.

#### Specific Demands for Controls and Restriction of Exporting to the Socialist States

Western press organs comment in this regard that the U. S. side is insisting on tightening in particular the export controls for computers, computer parts, and software, as well as including robots and numerical control equipment in the testing and licensing procedures.

Evidently Reagan is aiming at not only tightened export controls for militarily important goods, but also restrictions on the transfer of key technologies used in the civilian sector.

#### Renewed Request by Reagan to the U. S. Congress of 4 April 1983 to Tighten Further the Sanctions in East-West Economic Relations

The U. S. president has asked the Congress in writing to give him the authority to tighten sanctions against foreign businesses which contravene American trade regulations. Thus businesses which in disregard for an American ban sell "sensitive equipment" to the USSR supposedly can be excluded from the American market.

It was said that the revamping of the legal foundations for this--the so-called Export Administration Act--would give the U. S. government the appropriate powers.

#### Intensification of Attempts to Include Also Neutral Countries and Countries Outside NATO in the U. S. Measures

According to FRG press organs, the United States is also striving to come to understandings on the exporting or reexporting of American goods and technologies with states which do not belong to the international coordinating committee (COCOM).

#### Politically Motivated Handling of the Most-favored-nation Treatment by the United States Toward the Socialist Countries

For example, in October 1982 the United States deprived the Polish People's Republic of the most-favored-nation treatment hitherto granted, in order to exert political pressure and to selectively aggravate the foreign-trade conditions for this CEMA country. In March 1983 the United States announced that it would also no longer grant most-favored-nation treatment to the Socialist Republic of Romania, as of 1 July 1983.

#### Main Areas of Conflict in East-West Economic Relations

For East-West economic relations, basically the following main fields of conflict are emerging at present, in connection with which the United States will be trying to implement its ideas:

##### Further Impeding of Technology Transfer

COCOM is earmarked to be the chief instrument for the further impeding of technology transfer. The plans involve in particular the revising and expansion of the embargo lists, a tightened control, and restricting the awarding of licenses. At the insistence of the United States, the prohibition list was already considerably expanded in 1982.

According to the plans of the United States, in the new negotiations on the COCOM lists there are five objectives to be realized:

1. Expansion of the embargo lists for so-called "strategic goods" (above all electronic parts, equipment, installations, industrial machinery, important raw materials, production technologies);
2. Tougher controls on and abolition of the national licensing procedures through inclusion of such goods on the general barrier list;
3. Inclusion of licenses and patents which might be of interest to the CEMA countries;
4. Creation of a so-called credit COCOM for controlling and further restricting credits;

5. Development of COCOM as a standing coordinating center for the "Eastern trade policy" of all the capitalist countries.

#### Disruption of East-West Credit Relations

Influential circles in the United States and NATO are still following a line which involves the political abuse of the trading instrument of credit. With respect to government export credits, including guarantees and sureties from capitalist countries, they have been and are endeavoring to make these harder to get, to reduce them, and ultimately to completely do away with them as far as East-West trade goes. The embargo against the CEMA countries which has existed with few exceptions since 1982 on the international credit markets, the effects of a high-interest policy over a number of years, and especially the discriminatory increases in charges for just the financing of East-West trade, the attempts at financial extortion, and the interference in the internal affairs of socialist countries by way of East-West credit relations are constantly handicapping the development of the economic relations between socialist and capitalist countries.

The plans and measures of the United States are giving rise to increasing criticism in the other capitalist countries.

#### Boycott Measures Against Shipments of Products From CEMA Countries

These measures, such as protectionism, antidumping procedures, or boycotts, are as a rule buttressed by economic or political excuses, based for example on certain international events which have no connection whatsoever with East-West trade.

#### Growing Resistance to U. S. Economic Warfare

The positions held by the United States on East-West economic relations are leading increasingly to disputes within and among the capitalist countries, as well as to differences within the monopolist bourgeoisie, with fundamental questions of what strategy is to be pursued further by the imperialist centers and countries being at issue.

The background for these increasingly divergent views on the attitude of the U. S. government among the allies of the United States, and also even in the United States itself, lies above all in the deteriorated economic conditions in the capitalist countries.

The countries of West Europe and also Japan are trying as always to provide for their own economic interests in the face of the American pressure in the direction of a reduction in East-West economic relations.

France above all has resolutely refused so far to take part in an economic war against the socialist states. It is criticizing above all the U. S. pressure to expand the COCOM lists.

Japan as well has similarly objected to the tightenings in East-West economic relations planned by Reagan. Thus the Japanese government intends to lodge a protest in the United States against the planned tightening of controls over technology exports to the Soviet Union.

Also the government of Great Britain--despite an acquiescent attitude toward certain U. S. demands--has joined with business circles in that country in presenting considerations on the continuation of cooperation with the socialist states.

The FRG government finds itself in a deep contradiction in view of the U. S. attack on East-West trade. On the one hand, representatives of the FRG government above all are professing to be striving for a closer commitment to U. S. policy vis-a-vis the CEMA states, but on the other hand the private interests of the FRG's monopoly capitalism are demanding a repudiation of those actions of the U. S. administration which have to do with the restriction of East-West trade. At the same time the FRG government is trying to couple political demands to economic relations with the socialist states.

On the whole it can be expected that the West European countries and Japan, which are the most interested in trade with the USSR and the other socialist countries, will tend to increase their resistance to the demands made by the United States.

(This article is based on information from the IPW and the Soviet newspaper EKONOMIKA, POLITIKA, IDEOLOGIYA).

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CSO: 2300/313



HUNGARIAN VIEWS ON WAGES REPORTED BY ROMANIAN ECONOMIC REVIEW

Bucharest REVISTA ECONOMICA in Romanian No 22, 3 Jun 83 p 22

[Article: "Rate of Economic Growth"]

[Text] The great number of reserves in the economy which are not utilized or which are underutilized serve as an argument for L. Bakos, in the article "Szuksegszeru - e a lassu novokedes?" (Is a Reduced Growth Rate a Necessity?), published in No 4, 1983 of the Hungarian review KOSGAZDASAGI SZEMLE, in maintaining the possibility of accelerating the growth rate. According to the author, these reserves for increasing productivity consist of the large volume and high technological level of the fixed assets as well as the level of training of the work force.

The utilization of these reserves would presuppose a complex of economic measures. Among these, L. B. includes the abandoning of the practice of setting a ceiling for wages and the payment of wages solely on the basis of the results obtained by each worker, which would lead to an increase in productivity. The whole domain of the system of compensation goes in another direction but this time the aim is to achieve a better correlation of wages among different specialties and professions. Thus it is believed that, in accordance with the new requirements of modern production, better compensation should be given for research and automatic data processing activities and for those in the field of design.

CSO: 2700/254

## INTERNATIONAL AFFAIRS

### BRIEFS

**YUGOSLAV TRADE WITH USSR, MONGOLIA**--Economic cooperation between Yugoslavia and the USSR is developing according to plan. Thus, in the first 5 months of this year contracts were concluded to export \$2.8 billion worth of Yugoslav goods to the USSR and to import \$2.5 billion worth of goods; a total trade of \$5.8 billion was planned. Lowering of oil prices this year affected the value of trade, but a solution to this is being sought in other commodity sectors and it is expected that a satisfactory way for both partners will be found. In this 5-month period our country exported to the USSR \$1.05 billion worth of goods and imported \$1.14 billion worth, or 28 percent fewer exports and about 18 percent more imports than in the same 1982 period. The section on economic cooperation between Yugoslavia and the USSR within the Yugoslav Economic Chamber has drafted a self-management on joint operation on the Soviet market in the agricultural field and formation of a consortium of large OURs (organizations of associated labor) for planning and design, for seed, herbicide/pesticide production, etc., which will bring other smaller organizations into the consortium. Yugoslav trade with Mongolia was planned at \$3.5 million on each side but \$9.3 million worth of business has already been contracted for and \$4.7 million carried out (with Yugoslav exports at \$1.6 million and imports at \$2.1 million). Judging by this, trade will reach about \$10 million by the end of this year, and a \$15-million trade can be expected in 1984. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Jun 83 p 3]

**YUGOSLAV-ALBANIAN TRADE**-- It can be predicted that the volume of trade between Yugoslavia and Albania will be about 10 percent less than last year, but only because of reduced deliveries [from Albania] of electric power, as a result of the unsatisfactory level of power accumulation in Albania; ...and trade is based to a large degree on our import of power. In the first 5 months of this year Yugoslav exports amounted to \$15.8 million (according to preliminary data from the Institute for Foreign Trade), while imports of goods, services, and electric power amounted to about \$16.8 million. These quantities represent about 30 percent of the annual [trade] plan, but trade is expected to intensify in the second and third quarters of the year, especially in the autumn months. Power deliveries from Albania in June will be somewhat better than in the previous months, but nevertheless they will amount to about one-half of the planned amounts. Trade is developing largely according to plan. Delays in

deliveries of railroad cars have been made up, and late deliveries of ferrous metallurgical products (steel pipe, radiators, boilers, armatures, fittings, electric and laboratory equipment) will be made when Albania opens up lines of credit. The cause of low exports of cotton and wool yarn, however, should be sought on our side, namely our reduced imports of cotton and wool. First place in items imported is held by textile and chemical products, nonferrous metals (chrome ore is especially late, although some quantities have been coming), tobacco, etc. In the third and fourth quarter of the year larger deliveries of chrome ore and electric power are expected, and even by the end of June we expect deliveries of 5,000 tons of semi-processed gasoline, in addition to sulphur glycerin and some other chemical products. If the planned imports are carried out soon, total trade this year could amount to about 90 percent of that last year, or about \$130 million. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 22 Jun 83 p 2]

CSO: 2800/366

DEPUTY TRANSPORTATION MINISTER CITES THIRD WORLD PROJECTS

East Berlin DDR-VERKEHR in German Vol 16 No 6, Jun 83 (signed to press 11 Apr 83) pp 162-164

[Interview with Heinz Gerber, deputy minister for transportation; date and place not specified: "The International Work of the GDR Transportation System"]

[Text] [Question] Comrade minister, it has been 2 years since you last gave our periodical an interview on the state of international relations. What can you tell us about developments in the interim ?

[Answer] That is a pretty big question. But if I were to generalize, I would want to stress three main points.

In the first instance, we have made good progress in intensifying and improving cooperation with the Soviet Union and the other socialist countries. This is based on a number of individual activities such as continuing coordination, arrangements and new agreements and so on. At the most recent meeting of the transportation ministers represented on the standing commission on transport we were able to report on the successful attainment of existing goals within the framework of the long-range transportation program.

Secondly, the GDR, jointly with the Soviet Union and the other socialist countries, continued to expand relations with the new national states in the transportation field—especially with those nations, of course, which are basically oriented toward socialism. Over the past 2 years alone, we concluded 12 new agreements on shipping, aviation and scientific-technological cooperation.

Thirdly, we also expanded relations with the developed capitalist nations despite the fact that contrary efforts were made by the other side. As part of the overall development along these lines we should not overlook the strains placed on relations in the transportation field but I take a positive view of the fact that the many forms of bilateral and multilateral cooperation systematically expanded in preceding years were strong enough to withstand these strains.

[Question] Comrade minister, you seem to be saying that the relations with the socialist countries form the basis of our work internationally. What can you tell us about the present state of socialist economic integration in the transportation field?

[Answer] We have continued to work on these relations according to plan and systematically. The importance of this task in material terms will become apparent when I say that trade with the socialist countries which amounts to two-thirds of our total trade represents the foreign trade base of our economic development.

As far as the present state of socialist economic integration in the transportation field is concerned, one has to consider that the planning network and the efficiency of the transportation systems of the individual countries were further improved, expanded and adjusted to the development of demand. Each meeting of the standing commission on transportation focuses on drawing up a balance sheet based on annual or time segment figures on the attainment of goals within the framework of the long-range transportation program. Long-term demand and long-term capacity in mutual international traffic are closely coordinated. That does not mean, of course, that all problems have been solved in absolute terms. At special peak times, there still are some transport cuts that cause corresponding lags in traffic and/or loading. We are trying to organize the kind of cooperation that will enable us to do the best we can with existing means and to act promptly and efficiently in a spirit of mutual understanding and maximum support whenever problems do arise which may frequently be due to objective causes.

We may say that we have attained a large degree of cooperation in planning and handling transports and that includes joint efforts in looking for additional reserve capability at frontier rail junctions which carry a lot of traffic as well as on supply and removal lines, ports and so on. Let me illustrate that by citing two figures. International goods traffic of the CEMA countries will increase by about 18 percent between 1981 and 1985 as compared to the 1976-1980 time period. Rail traffic alone is rising by 21 percent and that is concentrated on just a few main trunk lines.

This gives an indication of the importance of scientific-technological cooperation which focuses on increasing efficiency of transportation by rail, of loading and unloading domestic and overseas shipping and shipping as such. Scientific-technological cooperation represents a major and, by now, extremely productive pillar of practical integration.

[Question] Many transport workers here in this country will be able to attest to what you have just said from their own experience. The USSR has been and still is the GDR's main trading partner. This has an impact on bilateral relations between our countries, particularly in the transportation field. What are your views on this issue?



[Answer] Let me point out first of all that our cooperation with the Soviet Union is especially close. It is perfectly clear that the generally close relations between the GDR and the USSR in all fields of social life would fully include relations in the transportation field and that there are also close personal friendships between us and our Soviet comrades. Let me just remind you that the volume of goods exchanged between our two countries is without parallel anywhere in the world. And just as these relations find expression in the exchange of goods or personal travel the same also applies to international transport. About 80 percent of the traffic with the CEMA countries is made up of export and import traffic with the USSR. Some 45 percent of the tourists going to foreign countries for extended periods of time travel in exchange with tourists from the Soviet Union and 70 percent of all Interflug traffic is to Moscow and other cities in the USSR. This list of figures could be continued indefinitely.

Widespread scientific-technological cooperation is being carried on in the spirit of close fraternal relations and both has contributed and still is contributing to increasing efficiency in transportation, construction and maintenance processes. Over the past 5 years, we have dealt with more than 450 individual topics ranging from up-to-date methods of preventing corrosion in refrigerator cars to the use of computers in navigation.

[Question] Comrade minister, one major integration project is the Sassnitz-Mukran-Klaipeda ferry. That is a graphic and tangible example of new types of cooperation. How is that project coming along?

[Answer] You are indeed right in saying that the ferry is a graphic example of our cooperation. It is quite natural for our two countries to resort to such efficient technology in an effort to make one of the busiest trade partnerships in all of Europe operate more and more rationally and effectively. Now this particular project really is huge because when completed, the ferry will be able to carry several million tons of goods directly between the two countries without the need of loading and unloading. As is well known, top party and state officials of both countries have assigned high priority to the project. I might recall in this connection that the project goes back to a directive adopted by the 10th SED party congress which said that appropriate attention should be paid to the large volume of foreign trade traffic and that joint measures should be undertaken to increase the efficiency of transit routes and ports and to introduce modern transportation technologies. And that is exactly what we are after. The corresponding agreement between the two governments was signed at the 29th meeting of the joint USSR-GDR government commission and as of now all preparations as well as some actual construction work are already underway so that operation of the ferry can begin on schedule. This is a very big job and for all those working on it it is a matter of honor to do everything they possibly can to finish the job on schedule.

[Question] This example provides a graphic demonstration for the fact that increased transport volume also has an impact in material terms and that providing for sufficient transport sometimes calls for major efforts on the part of the economy. Broadly speaking, the issue is to step up transportation work and to lower transportation demand. Does this hold true for international traffic as well ?

[Answer] In answer to your question, let me say that increasing efficiency and lowering costs were both factored into the plans for the ferry project. And more broadly speaking—as you were—this has always been an important factor in dealing with international transport. In the CEMA area, average transport length in goods traffic amounts to about 1,200 kilometers. This in itself gives an indication of the fact that transportation performance demand for each ton of goods or persons transported or to be transported will be high. This calls for ways to lower costs and to keep overhead to a minimum. One must also consider the fact that foreign currency will have to be expended, if services in or by foreign countries are required and that makes the matter even more urgent in terms of the balance of payments. As far as lowering overhead is concerned by means of optimizing both choice of carrier and of routes those responsible for foreign trade as well as the firms active in the export field are called upon to do the best possible job of coordinating trade and transportation issues with the transportation system.

Independent of this, increasing transport efficiency and lowering transportation costs are a determining factor for the entire field of scientific-technological cooperation. Of the some 300 tasks included in the multi-lateral and bilateral framework 270 are directly or indirectly connected to making transportation processes more efficient such as the development of more efficient transportation links, for example, of improving the organization of transportation processes or of preventing corrosion on board of ships. 12 tasks are focused on energy-saving measures which have a substantial impact on lowering costs.

[Question] Comrade minister, let us talk now about the second major factor in the development of our international relations which you mentioned earlier. How have relations with the young national states been developing ?

[Answer] This issue cannot be dealt with separate from the question of increasing transportation efficiency, either. Of course the foreign policy component is of primary importance; but if one looks at the transportation aspect of our practical efforts more closely, the question which arises immediately after transportation links are established is how efficient can they be made to be. This applies to shipping and air transport, including joint undertakings and agreements on transportation pools where applicable. But it also applies to coordinating measures on increasing efficiency in loading and unloading; on more efficient packaging to increase transport efficiency as well as support for the organization of port activities as we are doing in Luanda, for example. There are additional important jobs for us to do when we are asked to help set up or expand a transportation infrastructure.

[Question] Comrade minister, would you expand on that last remark of yours, please.

[Answer] Let me give you an example. When the former Portuguese colony of Mozambique gained its full sovereignty and independence after many years of a most difficult anti-colonial and anti-imperialist war of liberation and became a member of the community of nations as the People's Republic of Mozambique it took over a heavy burden. The fight was on and still is against underdevelopment, monoculture and widespread illiteracy and the task is to build up an economy based on the raw materials available inside the country. A working transportation system—a railroad system in particular—are absolutely necessary to help achieve this. But what was the situation like? Except for a few switchlines, there was no comprehensive rail system. Throughout large sections of the country there are no railroad lines or even roads for that matter. Some of the installations and means of transport are antiquated because the former colonial rulers were not interested during the latter stages of their rule to bring in replacements, much less to modernize equipment and in fact willfully destroyed strategically important links during the years of fighting. All this must be overcome gradually and according to plan and it has to be done at the same time that industry is built up and expanded and schools and health services and so on are developed. This buildup phase was accompanied by countless harassment activities on the part of the young people's republic's enemies. Given our capabilities, we extend help wherever and however we can. I might recall the difficult postwar years when we were in a similarly complicated political situation of trying to build up our destroyed country in the face of continued harassment. Our proletarian and internationalist duty thus commands us to help out in solidarity. And we are doing so by helping with reconstruction and with the extension and modernization of railroad facilities along the main line connecting Moatize, an important mining center, with Beira, the nearest port on the Indian Ocean and also serving transit traffic from and to Zimbabwe and Malawi. Our specialists are helping to increase efficiency on this line and effect maximum use of the increased capacity.

[Question] But Mozambique is 7,000 kilometers away...

[Answer] To be sure; but that merely underscores how extraordinary these achievements are. We have to send experts and materials over this great distance; we have to make sure the work gets done and the work camps are properly run and we have to set up the communications links that are needed to pass on information and decisions quickly. And there are the problems we face on location such as language, climate, unfamiliar surroundings and living conditions. Our workers there are really doing an extraordinary job and I would very much like to express my gratitude to them in these pages. As it happens, we really have no choice as far as the starting situation in a particular place is concerned. It has always been and will continue to be our guiding principle to do our work wherever our internationalist duty calls us.



[Question] Comrade minister, it is not only in Mozambique that we are co-operating with the young national states, are we ? What other examples are there ?

[Answer] You are quite right. We have one project in Angola to repair KIW W 50; we are helping to organize the port and the pilot activities at Luan-da; we are taking care of rail security facilities in Iraq—to give you just a few more examples. At the outset, I spoke of the development of our relations to the young national states. Our experts are presently at work in eight different countries and transportation experts from eight different countries are presently undergoing training in the GDR. In addition, our activities include the systematic expansion of direct sea and air connections. Interflug, for example, is presently operating 11 routes to 14 airports located in the young national states. 12 regular lines operated by VEB Deutfracht shipping company serve a total of 47 young national states with about 70 percent of the ships being of GDR registry.

These lines of course serve foreign trade and commercial purposes as well. Nonetheless, these links, which were established and are being operated on the basis of equality, are helping to reduce dependence on exclusively capitalist transport companies and nations and to achieve a step-by-step increase in national independence on the part of the young national states.

[Question] Comrade minister, the third aspect you mentioned was the continued development of relations with the developed capitalist nations. What is your evaluation of the concrete results in this area ?

[Answer] All our efforts correspond to the principles of peaceful coexistence between nations of different social systems. Our work is designed to foster cooperation and detente and is directed against the politics of confrontation. There is an unmistakable readiness coupled with the support of government agencies in some West European countries to intensify cooperative efforts to resolve practical issues connected with the practical operations of international traffic. As an example, I would like to point to the good relations with Austria. Over the past 2 years, five more new transportation agreements were concluded. Negotiations with other countries are at times made unnecessarily difficult—for instance when attempts are made to adopt positions unacceptable to us on the citizenship issue. Let me recall in this connection the unequivocal statements on this issue made by the party and government leadership of the GDR—most recently by the secretary general of the SED central committee, comrade Erich Honecker, at the 5th congress of the SED central committee. Statements published by our daily newspapers on harassment and outright acts of violence against railroad traffic in West Berlin and on the procrastination of negotiations dealing with urgent problems while in full recognition of existing realities are proof of the fact that contrary trends still prevail. In sum, the situation in our area is no different from that in all other areas pertaining to foreign relations: there is no reasonable alternative to the policy of peaceful coexistence.

In every instance where this precept is followed contacts and relations tend to lead mutually useful results.

[Question] Can this last statement of yours also be applied to cooperation in the international organizations ?

[Answer] Yes, by all means. There, too, progress and practical results depend to a large extent on letting relations be guided by the principles of democratic international law and the principles of peaceful coexistence. The tasks to be resolved in the UN agencies are by no means minor, to be sure. We might just recall the following projects in the transportation field: the convention on ship registry; the convention on standards of border controls of goods; the debate of standards for bulk goods shipping and so on.

But in this regard, too, all the reserves have not yet been exhausted and in some instances we should expect a more constructive approach on the part of the representatives of the developed capitalist nations. Some years ago, as is well known, the USSR proposed that a high-level, all-European conference on transportation issues be held. I view this as a very positive initiative; unfortunately it has not yet met with the kind of response its significance would merit.

In the eighties, common sense tells us, it is imperative to arrive at an understanding on transportation issues which takes into account all the possible ways of cooperating in the international agencies on fundamental questions of the further development of all-European regulations. This would apply, for example, to raising the performance level of major European rail arteries as well as to scientific-technological projects or an exchange of views on energy and transportation or ecology and transportation.

Joint efforts need to be made not to miss existing opportunities and to take advantage of existing possibilities. On the basis of our own interests and capabilities we are prepared to collaborate on all projects commensurate with the role played by transportation in linking peoples. This, in the final analysis, is the determining factor in the position we take in this field.

[Question] Comrade minister, we thank you for giving us this interview.

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CSO: 2300/320

GERMAN DEMOCRATIC REPUBLIC

CHAMBER OF TECHNOLOGY HEAD ON WASTE PRODUCT REDUCTION

East Berlin TG-TECHNISCHE GEMEINSCHAFT in German Vol 31 No 6, Jun 83 (signed to press 27 Apr 83) pp 6-7

[Interview with Prof Dr Manfred Schubert, president, GDR Chamber of Technology (date and place of interview not indicated): "Against Waste Products"]

[Text] The tasks of materials processing and the possibility of the production of closed materials cycles were the subject of an interview which we conducted with Prof Dr-Ing habil Manfred Schubert, president of the Chamber of Technology and holder of a professorial chair at the Section Processing and Material Processing of the Technical University of Dresden. Prof Schubert is a member of the newly-established GDR Committee for Scientific Questions of Peace and Disarmament.

[Question] What does the concept of materials processing mean?

[Answer] Materials processing is a designation we use for an engineering science which investigates the industrial transformation of materials with the aim of using them technically and economically and in so doing takes into consideration the problems of the protection of the environment. As materials processors --similar to specialists in energetics, refrigeration engineers, traffic engineers, etc., for example--we utilize in so doing an integrated outlook in contrast to other technical disciplines which primarily use the analytical penetration of certain processes, such as technical mechanics or technical thermodynamics. We concern ourselves with production processes which serve the transformation of the qualities of materials, hence, for example, the change of the chemical composition or the state of aggregation of materials, in the course of which the geometric form does not have primary significance for us. The materials transforming industry includes such industrial spheres partly or entirely as the chemical industry, metallurgy, building materials industry, pulp and paper industry, the food industry, and other similar ones. For the economics of water supply and distribution and agricultural technology, too, materials processing is becoming increasingly significant.

[Question] What are the practical tasks with which the materials processing specialists trained by you concern themselves?

[Answer] The materials processing specialists are being used in the most diverse phases of the reproduction process, from research and development to production. They calculate and assess materials processing processes already in the research stage, concern themselves in planning with the dimensioning of the devices and the plan of installation, investigate during the construction stage the mutual effects between process and device, work out operating regulations and see to their constant updating during the stage of the operation of the installations. In so doing, they convert laboratory knowledge into industrial processes and furnish the foundations for the fulfillment of the technical and economic tasks which are demanded of the respective processes. It goes without saying that with this are connected all current requirements of our industry with respect to material and energy economy, the use of microelectronics, process automation, as well as technologies which entail few waste products.

[Question] What is the connection of waste product-poor and waste product-free technologies to recycling?

[Answer] It is debated again and again whether one should speak of waste product-poor or waste product-free technology only if in a strict sense the process is shaped in such a way, or whether it is legitimate to combine under this heading also all measures that include the so-called "recycling" (Rueckfuehrung). I regard the inclusion of recycling as correct because this is precisely what frequently makes possible the better solution. In so doing, the recycling must not be limited to the respective individual production process.

In pursuit of the goal of the creation of closed materials cycles, a selection should, therefore, take place in accordance with economic principles, depending on the attained scientific-technical state and material and energy points of view, between

- the direct waste product-poor or waste product-free process organization, including recycling within the technological line
- and the indirect waste product-poor or waste product-free process organization, subdivided into recycling within the production sphere and recycling including the consumer sphere.

It is becoming increasingly clear that we are by no means dealing with a task for the engineering sciences alone, but a problem which poses a special challenge to the social sciences, the natural sciences, the engineering sciences, and medicine, to name only a few important spheres. Viewed differently, it is a subject which sets tasks for all state and social forces. At the present time, approximately 450 different types of industrial waste products with a volume of about 70 million tons occur in the GDR.

[Question] How can scientists and engineers work on the fulfillment of this task? Do you have experience in this respect?

[Answer] For the waste products not yet utilized, the 6th implementing order to the Environmental Control Law of 1975 and the follow-up regulations issued in the meantime stipulate that a waste product may be removed only if--on the basis of the scientific-technical state of development--utilization is not pos-



sible. The great responsibility of the scientists, engineers, economists, and scientific-technical work in general is directly derived from these legal stipulations. In connection with the goal of arriving at waste product-poor or waste product-free technological processes, quantitative data concerning the progress in the direct organization of operations can be provided only by way of example. For this reason the nature of the problem and the current situation become clear if one depicts goals and results also on the basis of the utilization of waste products which are found outside the sphere of production, i. e., in connection with recycling, including the consumer sphere.

It is of great import to elaborate further specific analyses of the state of the introduction possibilities of waste product-poor or waste product-free technologies and in particular of the utilization of waste products. In this connection it is in particular a matter of conceptions concerning the crucial points with respect to which research work can be most effectively carried out during the coming years. Of interest is the result of investigations of our scientific field of thermal materials processing and environmental technology, in which already some time ago the course of a river, together with all larger adjacent enterprises of the materials industry, was investigated. In so doing, three possibilities in particular crystallized, viz., first of all, processes which--given the present state of science and technology--are to be converted immediately to largely waste product-poor and waste product-free technologies for the closing of the materials cycle, and in fact with a short amortization period of the funds expended. A second group are the processes which can be brought to paucity in waste products or the absence of waste products with a small expenditure of research. Thirdly, a group was determined for which a larger scientific-technical advance is still necessary in order to create waste product-poor or waste product-free technologies. This may be a viewpoint for the sequence of the possibilities and necessity to make progress in a territory. Supplementary to this, necessities of the industrial sectors and the viewpoints of the toxicity are determining for the determination of the sequence of the measures.

[Question] The avoidance or reduction of waste products frequently presupposes novel processes. Can you give an example of this?

[Answer] Yes, I am thinking here of membrane separation. Because no phase change is necessary for the separation of the solution, this acting principle has advantages with respect to energy consumption compared to thermal separation processes with the same or comparable process goal (drying, condensation, distillation, etc.).

Taking economic viewpoints into consideration, however, it is necessary--given the current state of development--to use membrane filtration pre-eminently in those cases which guarantee the profitable recovery of a raw material or the replacement of an energy-intensive process. Beyond this, membrane separation is used for especially complicated cases of the production of water of high purity. In accordance with this goal of the process, the following possibilities for use prove to be especially lucrative and most widely practiced: Pulp and paper industry, food industry, emulsion separation, boiler feed and cooling water treatment, electrophoretic enamelling, rayon production, textile industry (wool washing, finish).

[Question] What possibilities do you see for the members of our organization to take part in the development of waste product-poor and waste product-free technologies?

[Answer] In my view, the possibilities are nearly unlimited. But the main thing is to make still greater use of the resources of interdisciplinary collectives. Here the supra-enterprise technical organs, especially the Environmental Protection Commission attached to the presidium and the AG (2) [working group (central)] for Waste Product-Poor/Waste Product-Free Technology, to be newly formed, have a great responsibility. Together with the enterprise sections, they should stimulate and organize such collectives.

This should also have an impact on supra-enterprise plans of work. Finally, our socialist engineering organization also has a great responsibility for the ideological work that is connected with the development and introduction of such technologies.

In conclusion I would like to take this opportunity to wish much success for all members of our organization in the further preparation of the 8th Congress. The results of the elections in the enterprise sections thus far and the many new obligations assumed in this connection lead me to have an optimistic view of the success of the Congress. For this I express my thanks already now to all active KDT [Chamber of Technology] members.

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CSO: 2300/305

GERMAN DEMOCRATIC REPUBLIC

PRIVATE LIVESTOCK FARMING TO GROW; INCREASED SUPPORT ADVOCATED

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 31 No 5, May 1983 (signed to press 15 Mar 83) pp 667-678

[Article by Aenne Muench, agricultural engineer, born 1956, research student, Livestock Farming and Veterinary Medicine Section, Humboldt University, East Berlin; and Prof Dr Hans Nau, economist, chief, Research Group for Socialist Enterprise Management, Humboldt University, East Berlin: "On the Position, Significance, and Organization of Private Livestock Farming Under Socialist Production Conditions."]

[Text] The resolutions of the 12th Farmers Congress of the GDR are pointing agriculture at increasing output while greatly improving the cost/benefit ratio. The need to speed up the intensification process that is expressed by that objective calls for tapping reserves in the area of social production--here mainly in the agricultural production cooperatives (LPG's) and the state farms (VEG's)--but also found in the field of individual activity in crop and livestock production.

The requirements emphasized by the 12th Farmers Congress with regard to the development of individual production relate chiefly to the cooperative farmers' private plots, which make up a prominent share of the farm products produced outside of social production. In addition there are farm (and gardening) products coming out of the subsidiary efforts by workers, employees, pensioners and other pursuits by other groups of persons.

Those sectors of the population are organized, by and large, in the Association of Allotment Gardeners and Small-scale Animal Breeders (VKSK), the successful efforts of which were given tribute by the 12th Farmers Congress, especially during the fifth convention of VKSK on 4 and 5 June 1982 in Karl-Marx-Stadt, by the GDR party and state executive. A report from the State Central Administration for Statistics rated the results achieved in 1982 as follows: "The cooperative farmers and workers with private plots and the members of VKSK and other small-scale producers are making an important contribution to providing the population, principally with fruit, vegetables, eggs, honey, poultry and rabbit meat."\*

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\*"Report from the State Central Administration for Statistics on the Implementation of the 1982 National Economic Plan," NEUES DEUTSCHLAND, 15/16 January 1983, p 5.

The share individual production of and with animals holds in the GDR is considerable though there are great differences as to species. In 1981, its fat stock production came to 14.1 and 10.2 percent, for hogs and cattle respectively, of total state production, to 99.8 in rabbits, 44.2 in eggs, and 98 percent in bees' honey.\*

In other European CEMA countries individual small-scale production also is important, in the USSR, for example, and in Hungary. Details—with respect to cattle, hogs and poultry—are given in the Table. The breeding and keeping of so-called domestic animals (dogs, birds, cats and so forth) were not considered in this context because domestic animals are not included in individual livestock farming. That includes only animals and animal products for human consumption and what is turned over to individual and productive consumption through further processing (hides, skins, bristles and so forth).

Table: Individual private and subsidiary livestock farming in the GDR, the USSR and Hungary (as percentages of total livestock farming output)

		cattle	of	hogs	of	poultry	of	sheep
			which		which		which	
			cows		sows		layers	
GDR	1975	6.2	5.4	10.3	3.7	41.4	55.4	19.5
	1978	4.2	2.4	10.4	3.3	37.3	51.3	21.9
	1980	4.9	1.8	11.2	3.9	38.9	54.0	24.1
USSR	1975	21.1	32.8	21.1	17.6	...	...	17.7
	1978	20.2	31.0	20.1	18.3	...	...	17.5
	1980	20.0	30.5	19.1	15.4	...	...	18.5
Hungary	1975	31.2	39.3	53.9	47.7	77.6	0	14.0
	1978	27.0	34.1	51.0	51.6	73.7	...	19.0
	1980	24.2	29.4	55.8	52.3	75.3	...	20.8

Source: "Statistical Yearbook of the CEMA Countries, 1981," CEMA Secretariat, Moscow, 1981 (in Russian) and "Statistical Yearbook of the GDR, 1981," Staatsverlag der DDR, Berlin, 1981 (in German).

For the socialist countries in the Table and the others it is equally true that the development of the public sector of agriculture is coupled with a purposeful promotion of individual livestock and crop production.

Generalizing the experiences gathered and the suitable practices in the development of individual livestock farming in the countries of the socialist community of states is a task that still waits to be taken care of on principle, even if it is not to be ignored that in the agricultural science literature, especially, of the USSR and Hungary—which had us include both countries in our considerations—the question of where domestic and subsidiary plots stand is becoming increasingly important in connection with seeking more intensification in agricultural production.\*\*

\*Cf. W. Felfe interview, "The Achievements by the Members of Our Association Are Part of Normal Socialist Procedures," GARTEN UND KLEINTIERZUCHT, A edition, No 10, 1982, pp 2 f.

\*\*Cf. Y. Agafonov, "Greater Attention for Subsidiary Farming," EKONOMIKA SELSKOGO KHOZYAYSTVA, No 12, 1980, pp 85 f; cf. F. Biro, "Raising Agricultural Efficiency in Hungary," INTERNATIONALE ZEITSCHRIFT DER LANDWIRTSCHAFT, No 1, 1981, p 8.



With respect to the growing interest in individual production efforts, it may be pointed out that the term individual small-scale production is still not being used uniformly. The Statistical Yearbook of the GDR understands by it only the "personal livestock farming" of the cooperative farmers, for instance, which in the LPG law of 2 July 1982, by the way, is referred to as "personal domestic plots," and in the model statute and in the model enterprise regulation for LPG livestock production of 28 July 1977, as "personal livestock farming." The GDR's statistical surveys pay no attention to the livestock kept by other population strata.

The USSR uses the term individual subsidiary farming. This term denotes the individually operated small-scale farm production of the collective farmers and state farm workers as well as of the industrial workers and other population strata.\* That term is market-oriented. The equivalents in German translations ("Hauswirtschaft" and "Hofwirtschaft") denote exclusively types of farming for one's own consumption or in cattle breeding. Only Hungary, it seems, has a satisfactory definition for it. There, individual livestock and crop production is distinguished as between domestic and subsidiary, with the domestic plot always belonging to an LPG member and subsidiary plots operated by members of other population strata.

Universal criteria and functions as well as national specifics have to be taken into account when one assesses the importance and development of the private livestock farming processes under socialist production conditions. While theory can more closely define the position of private livestock and animal product farming under socialist production relations, an analysis of the relation between private and social production, handled differently in the various CEMA countries, can bring us still more efficient solutions by means of comparisons so that we can tap further reserves in this field as well. This is all the more important because private livestock farming is going to remain a matter of principle, is going to remain important over a long stretch of time, within the scope of socialist agriculture.

Ultimately, private livestock farming is a category of producing animals and animal products, the continued existence of which is derived from the specifics of farm production itself. We must absolutely agree with the Soviet economist Raig who said that it was untenable to expect that the individual production of farm products would wither away in the foreseeable future or turn out to be redundant.\*\*

#### The Universal Criteria and Functions

Private livestock farming under socialist production relations has some universal criteria and functions. It  
--can develop its production only through being in every way encouraged to do so by the socialist state;

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\*Cf. L. I. Brezhnev, "26th CPSU Congress--CPSU Central Committee Status Report and the Next Party Tasks in Domestic and Foreign Policy," Dietz publishing house, Berlin, 1981, p 65.

\*\*Cf. Y. Raig, "Combining Social Production with Private Subsidiary Production," EKONOMIKA SELSKOGO KHOZYAISTVA, No 12, 1980, p 75.

- supplements the state and cooperative output as to volumes and varieties;
- employs no or hardly any labor not part of the family;
- produces for personal consumption and is increasingly market-oriented; and
- is by and large done on the side, so that for the cooperative farmers and workers their work in public production is and remains the principal source of income.

Of private livestock farming it is typical in principle that a high grade of development in the socially organized agriculture with its unity of crop and livestock production, as based on socialist production relations, remains an indispensable prerequisite for promoting, correlating and regulating any individual production of and with animals. That makes the organizational units in private livestock farming, the domestic or subsidiary plots, or whatever they may be called, essentially a special form of personal property in socialism. It is drawn into the reproduction of the total national stock of foodstuffs and of the personal income of those who principally work in social production\* and is a factor that supplements the performance of the cooperatives and the state-owned or state farms, which helps tap operational production and labor reserves.

#### Some Farm Production Specifics Causing the Continuation of Private Livestock Farming

Granted that private livestock farming holds a solid position within the socialist economic system--as confirmed by agricultural development in all socialist countries--the question arises why private small-scale production of farm products survives, which even under the premises of socially organized farm production, developed as it is and partly using industrial methods, proves permanent and viable. To talk about meaningful leisure-time activity does not by itself explain it. This might apply to groups whose main work has nothing to do with farming, so they will seek some diversion during their leisure in private livestock farming. And then there are also customary eating and taste traditions--only remember slaughtering feasts--and chances for extra income that can do the family budget some good, and the utilization of offal, and of harvest residues on fields and in gardens and the like.

There must be quite a number of reasons to explain the relative stability of small-scale production under socialist production relations. An importance of principle, however, is likely to attach in this connection to differences such as between the application of modern production methods in agriculture in contrast to industry, which ultimately derive from the particulars of farm production explained by Marx and Lenin. The differences referred to here are, among others, that progressive technological methods in industry either can produce entirely new materials, as is the case in chemistry, for instance, or products are a result which cannot be produced at all or only in hardly worthwhile units by means of small-scale, individual production. Take the production of motor vehicles or television sets. In livestock production things are entirely different. Products such as milk, eggs, fat stock and the like, produced

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\*Cf. G. Y. Shmelyov, "Social Farm Production and Private Subsidiary Production," SIWJETWISSENSCHAFT, GESELLSCHAFTSWISSENSCHAFTLICHE BEITRAEGE, No 6, 1981, p 840.

by means of most advanced technological methods, differ, at best, in terms of quality from commodities produced under the so-called traditional production conditions or as the outcome of an intensive sideline activity by cooperative farmers, workers, pensioners and so forth, outside of social production, that we have here been talking about. Such commodities, as shown elsewhere, definitely are of overall state significance, as far as their volume is concerned, even if they can of course not be the essential basis for satisfying society's increasing demands for farm products.

The state of affairs outlined here is of importance in that from it is derived another difference in the application of modern technological methods as between livestock production and industry, which establishes the economic relevance to the already referred to stability of private livestock farming even under the conditions of modern large-scale socialist production. The point simply is that one can find that the increase in yields per animal achieved by advanced methods is to a large part also obtainable by means of conventional production procedures or private livestock farming. It may be enough to refer to the mass increase that comes from often very small and inadequate accommodations per fat stock and per day. In contrast, the introduction of an improved production line in industry causes an increased output per unit of time which in most cases clearly surpasses what was achieved by the technological method that was superseded. Think of bottle-filling machines or powerplant turbines, the installation of which--provided all other factors match the increased performance status--makes the previous output or performance jump up considerably and immediately.

Obtaining satisfactory yields and performances in livestock farming thus is less dependent on using modern production methods than are adequate production lines in industry. Moreover, the genetic performance potential of any serviceable animal opens up only to the extent that one succeeds in bringing production methods and conditions in line with biological requirements. The size of the stock the animal is part of has initially no bearing on it. Also from small stocks, which is typical of private farming, satisfactory performances per animal can be achieved by means of appropriate mechanization aids and work readily performed by the small-scale breeder, which includes a great willingness to care for the animals, especially since such personal dedication finds its financial rewards when the products are sold. We are leaving aside here the connection that exists between any given size of stock and the cost/benefit ratio. Satisfactory results, especially in increasing labor productivity, as needed by socialist society, in any case depend on certain concentration levels and installation sizes which in their level far surpass what is generally possible through private livestock farming. That is proven by the development of livestock farming in the GDR, which is marked by increasing yields while the labor available has been shrinking and by an increasing size of enterprises and installations. Sure enough, the correlation between boost in labor productivity and an increasing degree of concentration (while private farm production decreases) can only come about if appropriate intensification factors in scientific-technical progress have become fully mature and are widely available. Take the grain production in the USSR in 1940--when production could not as yet be extensively mechanized and chemically treated--of which 12 percent came from subsidiary plots. At the present, private grain farming has virtually become immaterial in all CEMA countries because in this particular field fully matured technological large-scale production methods are being used.

## On Specific National Particulars in Private Livestock Farming

The 26th CPSU Congress commented on the connection between social and private farm production--and this applies to all socialist countries--as follows: "Collective and state farms remain the basis of socialist agriculture. Which does not mean at all one should neglect the opportunities of subsidiary private farming. That, as experience has demonstrated, can greatly help in the production of meat, milk and some other products. The orchards and vegetable gardens the working people own and their poultry and cattle are part of our shared wealth."\*

This position taken on principle stressed the dialectical unity between socially organized and individually operated farming; and it receives general regard in the countries in the socialist community of states. On the basis of the state and cooperative sectors of agriculture, and while constantly preserving their priority, many efforts are being made to develop private small-scale production further, especially livestock farming.\*\* Even though such efforts have for many years already been part and parcel of socialist agrarian policy as such, in connection with the ever more effective efforts in terms of the intensification of farm production, the measures to develop individual production have now become incomparably more evident. And here there are national specifics under which livestock production is developing within the scope of socialist production relations which make for the development of various forms through which this individual type of production is correlated with the social type.

The GDR, while forming and consolidating rural production relations, has always regarded the encouragement and development of individual farm production as significant. That finds expression in documents of central importance which reflect the formation and consolidation of rural socialist production relations or which have themselves actively encouraged, and are encouraging, such development processes. The LPG model statute of 9 April 1959 (LPG type III), e.g., sets down the cooperative farmers' right, that came about when the LPG's evolved, to maintain a private plot. At the same time it was also stressed that "the cooperative economy is the cooperative members' chief source of income" and to have the cooperative farmers focus on the priority of consolidating the then still young LPG's, the scope that private animal farming could have was precisely stipulated: "The (LPG) member may, with his family, keep as personal property for his personal use and for selling to the state up to 2 cows and calves, up to 2 sows with litter, up to 5 sheep with the same number of litter to the age of 11 months, an unlimited number of goats, poultry, rabbit and other small livestock, and up to 10 beehives."\*\*\*

The LPG's had then reached a state of development in the 1970's that required a new version of the basic document that controls this crucial rural form of organization and, hence, a more adequate definition of the relation between social and private production. The consolidation of the social forms of production as the

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\*Cf. L. I. Brezhnev, op. cit., p 65.

\*\*Cf. L. Vaschukov, "The Development of USSR Agriculture (Statistical Survey)," INTERNATIONALE ZEITSCHRIFT DER LANDWIRTSCHAFT, No 1, 1982, p 12.

\*\*\*"Model Statute for LPG Type III," DER FREIE BAUER, supplement of No 14, 13 April 1960, p 16.



foundation for extensively encouraging private farm production finds its expression, among other things, in that in 1960 only 54.4 or 50.5 percent of cattle and hogs respectively were kept in LPG's and VEG's, but in 1980, 95.1 or 88.8 percent respectively—including the cooperative facilities.

As social agricultural production came to be predominant completely in 1977, it makes sense that the model statutes for LPG livestock and crop production issued by the Council of Ministers essentially have hardly anything to say about the scope of private livestock farming. The same applies to the model enterprise regulation now in force, where the scope of private livestock farming is made dependent on the cooperative farmers' and workers' participation in cooperative efforts—i.e. on maintaining the connection between social and individual production achievements—and on available livestock feed supplies. While observing this limiting factor, the cooperative members, with the concurrence from their boards, may conclude extra "breeding contracts in accordance with legal regulations."\*

Private production achievements accomplished by the cooperative farmers and workers on their personal plots have for some years been an element of the operations plan which governs with equal authority the LPG's, the VEG's and the cooperative livestock production facilities. In a part of the plan called "Agricultural Commodity Production (Market Product)," the "state production of private plots" is shown for pigs, cattle, sheep, poultry, milk, eggs and wool and brought together under the rubric "Total State Production" (positions 30 to 38). Because the operations plan, as confirmed for the LPG's and VEG's, is legally binding, it follows that the agricultural enterprises concerned have the obligation to foster the development of their members' and workers' private production. It is easy to see—surveys brought this out—that this aspect of management activity does not always receive the proper attention. The local state organs also have to see to it that small-scale production in their territories is systematically being ensured. It is worth pointing out that many LPG competition programs for 1983 contain many measures providing for an all-encompassing promotion of private plots. The Dreetz LPG cooperative's competition appeal states, for example, that residual and split areas, embankments and verges are contractually made available to the small-scale producers to grow livestock feed. "We assist in making available sucking pigs and suckers, calves and young hens for private livestock breeding."\*\* VKSK members may also take part in private cattle breeding.

As indicated by the 12th Farmers Congress of the GDR and the fifth VKSK convention, private livestock farming will make headway in the years ahead. On that we must focus in many ways. Along with the production of hogs and eggs, which has already reached a remarkable range (cf. the Table above), we shall pay special attention to the production of rabbits, geese, turkeys, wool, hides and honey. The VKSK members alone committed themselves in 1982 to add to the state totals 2,200 tons of goose meat, 1.7 billion eggs and 16,000 tons of rabbit meat. That quota was fulfilled and, in part, surpassed. For rabbit meat, the output is expected to grow to 20,000 tons by 1985.\*\*\*

\*"Decree on the Model Statute and Model Operations Regulation for the LPG Livestock Production of 28 July 1977," p 57, issued by the Ministry for Agriculture, Forestry & Foodstuffs.

\*\*NEUE DEUTSCHE BAUERNZEITUNG, No 52, 1982, p 5.

\*\*\*Cf. E. Wegner, "On VKSK and Its Provisioning Contribution," EINHEIT, No 10, 1982, p 1082.

The intention is to further extend the efficient functioning of the field preparatory to it on the basis of the VdGB/BHG (Peasants Mutual Aid Association/Peasants Trade Cooperative). More than 2,000 sales and service outlets are already available for it. The idea is to station low-horsepower tractors in those facilities and use them for working on split areas and street ditches and for handling transports especially in the field of private livestock farming.\* This is an important project because it is more necessary than ever to achieve the performance improvement sought in the area of private livestock farming primarily on the basis of thus far unused livestock feed reserves. That objective is also served by surrendering acreages that are hard to cultivate socially to owners of private plots and settlers. The main point is to use more bulk forage and fodder root crops while reducing the consumption of concentrate from official fodder allocations. Since this often makes for more labor, higher production prices and price bonuses have been authorized within the scope of new regulations in effect since 1 August 1982 while reducing or doing away (for instance in rabbit skins) with the concentrate previously coupled with the conclusion of breeding contracts.\*\*

Whereas in the GDR there is a relatively loose connection between social and private livestock farming, some socialist countries attach much greater importance to the integration of private or subsidiary plots in the reproduction process of cooperatives and state farms in line with prevailing social needs. In the USSR, e.g., private subsidiary plots will preserve their importance as suppliers of diverse foodstuffs for the rural population even while the publicly organized production process becomes more specialized. In the outcome of that development, no hogs were any longer kept in 25 percent of the cooperatives (in the Byelorussian, Lithuanian and Estonian SSR, even up to 90 percent), and no more sheep and goats in more than 50 percent of them. That makes the local small-scale farms the most important sources for supplying the local populations with such commodities. Collectives and state farms have started to regulate their relations with private breeders contractually, but there are no precise organizational rules for it. On the basis of a resolution by the CPSU Central Committee and the Council of Ministers of the USSR, "On additional measures for boosting the production of agricultural products on private subsidiary plots" (January 1981), socialist agricultural enterprises have to grant the citizens extensive assistance in the development of small-scale farms--a process which is also meant to be supported financially by the granting of credits from the USSR State Bank. Then certainly more animals may be kept on a contractual basis than the norms for owning cattle privately permit. The cooperative farmers sell their individually produced products which they make on orders (according to contracts) from state farms and/or collective farms, to the agricultural enterprises concerned. They are going to get more and more credit for such purchases from private plots when they get marketed in terms of their meeting the official purchasing plans, so that this way the interest of the enterprises in developing private production is furthered. The estimate is that through developing reproduction relations between agricultural enterprises and private farms considerable investments can be saved and more labor can be channeled into useful social activity. Industrial management figures in the

\*Cf. E. Siegert, "Better Support Still for Small-scale Producers," KOOPERATION, No 7, 1982, p 317.

\*\*Cf. "Tapping Further Fodder Reserves," GARTEN UND KLEINTIERZUCHT, A edition, No 17, 1982, p 3.

Lvov region show that through a contractual cattle breeding by individual livestock production some 330 rubles are saved in official investments per head of cattle for their keep.\*

The promotional measures introduced, expressly confirmed in the "CPSU Food-stuffs Program" of May 1982, relate to small-scale farms that are mainly oriented to the satisfaction of personal demands or that offer their products to the collective markets as well as, increasingly, also to those that are closely linked with state and collective farms and are selling them most of their products. The 26th CPSU Congress demanded that "one must assist the collective farmers and the people working on state farms with young animals and fodder. That concerns those who keep cattle as their personal property as well as others who are willing to feed the cattle that belongs to collective and state farms."\*\*

The place value of collective markets that are a component of the economic agro-industrial complex is considerable, as one knows. This is where the products privately produced by the collective farmers are mainly sold. It turns out that the division of labor referred to between the private sector and socially organized production is complemented by the division of labor in the circulation sector.

Private small-scale production has become most prominent in Hungary, and this on the basis of the "Resolution on Promoting Private Domestic and Subsidiary Farms" which the Hungarian Council of Ministers issued in 1976.

The 12th MSZMP Congress in 1980 endorsed that line while underscoring the priority of consolidating and strengthening official and cooperative forms of management. To make a point of this is important for better understanding the development processes going on in the Hungarian agriculture, and the 26th CPSU Congress has, incidentally, paid high tribute to that. The rigor with which one provides for a priority development of the LPG's and state farms, as the cornerstones of socialist production relations in agriculture, also increases the rate of growth. While between 1975 and 1980 the share the LPG's and state farms had in livestock production rose from 52.5 to 57.2 percent (see the following Table), the production of and with animals in private farming declined accordingly, relatively speaking, even though in absolute terms it increased--which of course applies to all forms of ownership.

As one can tell from the Table above, livestock farming in domestic and subsidiary farms is altogether very important in Hungary. It is expressed by that circa 43 percent of the yield in animal products—which is further specified in the Table below—comes out of this form of ownership which, apart from the producers' producing for their own needs, is highly market-oriented. Thus 49.5 percent of the hogs produced on private domestic and subsidiary plots, 69.7 percent of the milk, 50.5 percent of the eggs and 16.4 percent of the poultry are sold. Farm products from private plots and subsidiary farms are

\*Cf. G. Y. Shmelyov, op.cit., p 847.

\*\*L. I. Brechnev, op. cit., p 65.

furthermore of overall social importance to the strongly export-oriented Hungarian agriculture. Its annual export value was set at circa \$ 100 million in 1977. Further developed for obtaining more hard currency were rabbit and pigeon breeding and bee keeping.\* In 1982 already, 90 percent of the total of 46,000 tons of rabbit meat came from private plots. To boost production further, breeding centers were set up all over the country. The Dunavarsany LPG, e.g., coordinates its efforts with 26,000 small-scale breeders.\*\*

Table: Proportion of Organizational Forms in the Overall Production of Animal Products in Hungary

<u>Forms of Ownership or Organization</u>	<u>1975</u>	<u>1980</u>
State Farms	15.5	17.5
LPG's	37.0	39.7
Private Domestic and Subsidiary Plots	47.5	42.8
Totals	100.0	100.0

Source: Cf. Aenne Muench, "Operational Forms in Animal Production--International Survey," Research Report, Humboldt University, East Berlin, Livestock Farming and Veterinary Medicine Section, Research Group for Socialist Enterprise Management, 1981 (unpublished); cf. G. Nagy, "Relations Between the Qualifications of Farm Experts and Operations Results," lecture given at the 13th Science Conference of Karl-Marx-University, Leipzig (unpublished).

Individual domestic and subsidiary farms are considered an integral part of the socially organized production of farm products in Hungary. Many measures are known that come down to their complete integration in the reproduction process of the state farms and LPG's. One may refer in this context to regulations under which the cooperative farmers are engaged in individual livestock production on orders from the LPG's. Young animals and fodder are sold to the breeders at favorable prices and transports when necessary--especially with respect to cattle breeding--are carried out. The private animal breeder, in turn, is obligated to sell his products to the agricultural enterprises at prearranged schedules. At present the Hungarian state, along with many measures that directly stimulate small-scale farming, also applies others that are stimulating the LPG's and state farms toward organizing and assisting small-scale farms. For example, the granting of bonuses for management personnel in state and cooperative enterprises is made dependent on the development, in any given territory, of private domestic and subsidiary farms. There are examples where the cooperative farmers are given credit for labor units for the work performed, on a contractual basis, in individual livestock farming. To meet the ongoing decline in privately bred cattle--something that can also be seen in the USSR and the GDR--the proposal has been made that when more than 5 cows are annually used in privately owned farms, the cooperative farmers are to be given credit for the working hours expended on that when their pensions are figured out.\*\*\*

\*Cf. "On the Development of Domestic Plots in Hungary," NEPSZABADSAGR, 22 April 1977.

\*\*Cf. NEUE DEUTSCHE BAUERNZEITUNG, No 52, 1982, p 2.

\*\*\*Cf. S. Guba, "Cattle Breeding in Personal Domestic Plots and Individual Subsidiary Farms," INTERNATIONALE ZEITSCHRIFT DER LANDWIRTSCHAFT, No 3, 1982, p 278.



That private livestock farming has been integrated in the social reproduction process in Hungary means that private domestic and subsidiary plots in Hungary, generally speaking, enjoy the same intensive care and promotion measures in terms of veterinary medicine, technology and operations management as the state farms and LPG's. In addition to the promotion measures already mentioned, that applies to assistance in construction activities through material procurement, construction implementation and the granting of credits, specialized consultations and veterinary care and the summoning of domestic plot commissions within the LPG framework.\* Pursuant to such integration processes, industrial management solutions are already being discussed, partly even practiced already, aimed at a managerial integration of private livestock farming within the organizational structure of the large-scale enterprises.

In more than 50 percent of the LPG's, private plots are seen as a production branch in its own right and organizationally integrated accordingly.

On the whole, the survey of the position, significance and organization of private livestock farming in some countries of the socialist community of states indicates that this type of production of and with animals has enjoyed a vigorous development for years. That holds true especially for states that have a developed socially organized production as the fundamental basis for foodstuff production, and in addition to the countries mentioned in this survey, one could also point to the CSSR and Bulgaria. The promotional measures introduced permit the inference that the proportion of the small-scale production in total animal production is going to rise in the 1980's--at least in absolute figures. From this follows the already alluded to need to integrate this type of farming all-inclusively into the uniform agricultural reproduction process. Here one must take account more than one has of the aspects of efficiency improvement--e.g. by making available more effective mechanization aids (independently accessible drinking troughs, feeding automats) and more extensive consultative activities. The latter includes also veterinary activity, which must bring more of an influence to bear on abiding by animal hygiene requirements in the privately kept animal stocks, as it is especially tough to protect them against illnesses from the outside. And then this also includes measures that help prevent from the outset the possibility of conflict between individual and social interests, e.g. in the area of fodder procurement and the use of fodder and in the use made of the social labor capacity.

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\*Cf. "Tasks and Methods of Production Development in the Private and Subsidiary Plots in Hungary," Academy of the Agricultural Sciences of the GDR, East Berlin, 1976, ILID (unpublished).

TOP MANAGERS EXPRESS OPINIONS ON ECONOMIC GUIDANCE SYSTEM

Budapest FIGYELO in Hungarian 16, 23 Jun 83

[Written interview with Dr Laszlo Pal et al, by Annamaria Inzelt]

[16 Jun 83 p 3]

[Text] Knowledge of what managers of economic organizations are thinking is essential to answering the question as to what changes are necessary in the present system of macro-economic management so that the Hungarian economy may develop successfully. Therefore we requested the managers of several enterprises to answer those questions of a written interview that they deemed important.

The following managers have agreed to answer our questions: Dr Laszlo Pal, economic director of OKGT [National Petroleum and Gas Industry Trust], the largest industrial trust in Hungary, according to FIGYELO's 1981 list of trusts; Dr Istvan Antal, chief of the economics department at Ganz-MAVAG [Ganz-Hungarian State Iron, Steel and Machine Factories], the 26th in the Club of the Top 100 Enterprises; Imre Bona, chief of the marketing department at Ikarus, the 7th in the Club of the Top 100; Dr Zoltan Marton, economic director of Videoton, 11th in the Club of the Top 100; and Imre Geszti, director of the Hajdu-Bihar Megye Food Retail Enterprise.

[Question] In your opinion, what domestic economic factors played a role in the very unfavorable development of Hungary's balance of trade in the late 1970's?

Laszlo Pal: It is an illusion to believe that this question can be answered by listing one or two reasons. In my opinion, not only our country's inherited backwardness played a role in this, but also our earlier economic policy that in the area of investment did not take adequately into consideration our specific conditions and assumed that imported cheap sources of energy and credits at low interest rates would be available long term. As a result:

--Material- and energy-intensive branches were developed within industry;

--Imported hydrocarbons accounted for a substantial proportion of the sources of energy;

--Economization and efficiency did not prevail in the economy;

--Real interest relations have been (and still are) lacking;

--The Hungarian economy has been characterized by a sellers' market, instead of a buyers' market; there is no competition because of the evolved monopolies; and the requirements of quality and efficiency have been relegated to the background.

Istvan Antal: The system of economic regulation, and the economy's system of organization are unable to channel effectively enough the various diverse branch, regional, budgetary, etc. partial interests in the direction of the interests of the national economy as a whole. Another reason is the growth orientation dominant at every level and in every area. As the combined result of all this, macro-economic management's ability to react is slow.

Imre Bona: Two factors, specifically the unsatisfactory development of competitiveness and the slow pace of structural change, play a very significant role in that the exporting enterprises do not have the means to satisfy on a higher level their customers' requirements regarding research and development, quality, assortment, etc.:

--Production is expensive in terms of both direct labor and embodied labor;

--There is little market information;

--The incentives are not sufficiently effective, and their action is subsequent.

Zoltan Marton: One of the main causes of the present problems is that we were not consistent in implementing the Central Committee's 1966 resolution. Failure to develop macroeconomic management's organization was the cause of the sudden halt, and an obstacle to further development.

The managing organs were overly concerned with the enterprises' stability. They made the operation of the enterprises increasingly rigid, preventing the extensive functioning of the market mechanism.

The enterprises were placed increasingly at the mercy of the managing organs, whereas what we needed then was measures that would have triggered the enterprises' independent and efficient action, and their entrepreneurial skills.

Even today we still have not reached the point where an enterprise itself can decide how to supply its market.

Forced import substitution actually proves that interest in the expansion of export is weak. This can easily lead to a decline of quality and modernness. Poor supply of materials, lax discipline in supplying orders, and the absence of a system of wage regulation also have contributed significantly to the present situation.

Only suppression of the hampering factors could have compelled the attainment or approximation of competitive quality. But shortage bred further shortage. The shortage of parts resulted in a shortage of performance, in stoppages and inadequate utilization of machine capacity, and in higher overhead.

There was no money left for meaningful innovation, without which stocks of goods for competitive export to the world market cannot be ensured, especially not in electronics.

Under these conditions the expansion of export at all cost led to the worsening of our terms of trade, to the depreciation of national labor, as a result of which our balance of trade developed unfavorably.

Imre Geszti: Among the domestic economic factors, I regard the following as causes of the present situation:

--Not enough competitive industrial goods;

--Industry's production cost is generally high;

--Quality specifications are not enforced in practice;

--The import content of our domestic products is high in relation to our export possibilities;

--The various wage systems and systems of income regulation did not provide sufficient incentive to improve efficiency, and they offered limited opportunity for real differentiation;

--Procedures for the approval and registration of significant innovations and inventions are cumbersome, and their practical application is delayed.

[Question] Is there a need for the market's differentiating role, where and why?

Laszlo Pal: In time of peace, no economy can dispense with the differentiating role of the market's value judgment and demand. The market indicates to what extent the product structure conforms to the demand. Without this role of the market, unsold stocks of goods and shortage items develop, and production becomes uneconomic. The market must assert its role within the entire economy. A departure from this rule is possible only when the economy is placed on a war footing, or in the case of goods and services that must be made available unconditionally to every citizen, in accordance with the program of social policy (health care, public education, municipal transport, etc.).

Imre Bona: My answer is an unqualified Yes, because competition or differentiation provides an incentive for higher performance.

Zoltan Marton: It follows from the mode in which socialist social ownership functions that the operation of the enterprises is based on a regulated market. The enterprises are linked to one another as buyers and sellers, as producers and consumers. In this capacity the enterprises' activity and relations are determined to a large extent by the national economic plans and the regulations, but the plans and regulations cannot cover every detail.

Central interventions on a larger scale and more frequently than warranted narrow the enterprises' opportunities to choose and decide independently, the interaction of the market and enterprises declines, and the feedback pulses become

weaker that serve as the basis for judging the effectiveness of centrally adopted decisions.

Favorable differentiation can occur also in a regulated market. A relative balance of supply and demand can be achieved. For every enterprise the opportunity is ensured to strive to overcome its less favorable position, and the proportions of production and income do not become rigid. When there is differentiation, the market provides an incentive for economic investments, for the efficient and prudent management of resources.

For a significant circle of products, then, coordination of supply and demand must be entrusted to regulation by the market or, if you will, to the value judgment of society. Such a healthy differentiating role of the market can emerge only in the case of independent enterprises. Producers must get closer to consumers in order to directly perceive the demand of the latter.

[Question] When is individual state intervention necessary in the operation of an enterprise or cooperative?

Laszlo Pal: When the enterprise or cooperative is established, or when state obligations are assumed whose offset occurs in some other area of the national economy. Intervention is warranted also when the enterprise has used up a substantial amount of invested capital (the amount should be determined separately) or if it has been operating for years at insignificant profitability. To tolerate this idly would be as grave a mistake as to interfere in everyday details. Extraordinary intervention is necessary when an enterprise is unable to supply at a reasonable level the demand for products that are essential to the population or the economy (such products would have to be defined separately).

Imre Bona: In my opinion, if macroeconomic management occasionally intervenes in market relations for political, international, etc. reasons, it "violates" the market's rules of the game. This might be warranted, but in such cases the state ought to adopt also corrective measures in the operation of the enterprise.

Zoltan Marton: Intervention is necessary also when the enterprise is operating at a loss and is unable to cover the loss from its own resources. If the unprofitable enterprise does not become profitable within five years, its financing should be discontinued.

Imre Geszti: In my opinion, numerous factors might warrant individual state intervention. For example, differentiation of an enterprise because of its exceptionally important role, indispensable in the given period; the unwarrantedly disadvantageous or excessively favorable effect of the economic regulators on the operation of the given enterprise (which in most cases becomes evident only later), etc.

I think it is important that the purpose of individual intervention should be not only to "save" the enterprise (the more typical case), but also to provide stronger incentives for the efficiently operating enterprises.

In warranted cases the state should strive to influence, possibly in due time, the comprehensive economic activity of the individual sectors. The present efforts to "save" food retailing is a good example of delaying intervention until the last minute.



[Question] What is your opinion of the present organizational changes, and do you consider also further changes as necessary?

Laszlo Pal: In my opinion, the organizational changes that have started for the purpose of decentralization should be continued at every enterprise into whose present organization production units have been integrated horizontally, but where the large concentration of capital is not essential to the enterprise's competitiveness. The size of the organization should be determined by the product mix, the size of the production series, the magnitude of the change in the demand, and so on.

Zoltan Marton: The organizational changes have not affected significantly the enterprise's activity. The new managing organ, the Ministry of Industry, has approved the enterprise's plans and concepts, and we are working on their basis. The enterprise is continuously updating its medium-term plan prepared in 1980; it takes into consideration the central measures and implements them year by year, and the results are realized in all its indicators. Which of course does not mean that we could not serve better the realization of the state's interests if there were fewer restrictions.

Imre Geszti: Further review of the managing and supervising organs' organization and mechanism should be placed on the agenda. Reduction of the number of interposed organs, institutes and committees, and the curbing of bureaucratic elements could result in substantial savings and cost reductions also at the macroeconomic level.

[23 Jun 83 p 5]

[Text] How does the change in the system of relations between production enterprises and foreign-trade enterprises affect the foreign-market position (possibility of marketing, profitability, etc.) of the economic organization that you manage?

Laszlo Pal: The 1968 modifications produced a significant change. The production enterprise and the foreign-trade enterprise established a direct market interest. The present modifications are not significant from our point of view, because the foreign-trade enterprises are retaining their monopoly.

The principal export partners of the National Petroleum and Gas Industry Trust (Mineralimpex, Chemokomplex, Chemolimpex) are doing their marketing and sales generally well. But they rarely start foreign ventures because the entrepreneur occasionally encounters a flood of surprises. Most of these stem from the conditions in the customer's country, and only a small proportion can be attributed to shortcomings in the work of the foreign-trade enterprises.

Zoltan Marton: Videoton has been granted the right to conduct foreign trade already in 1969, and its foreign-trading enterprise is Videoton Limited. This was a novel setup at that time, and it has contributed significantly to the fact that Videoton is able to produce nearly 70 percent of its output for export. The present modification of the system of relations between production enterprises and foreign-trade enterprises essentially has not changed the aforementioned setup, but the new competing foreign-trade enterprises have inspired Videoton Limited to work even better, and to maintain more flexible relations between buyer and seller.

An important task further on will be expansion of the right to import. This will permit developing additional export markets and will enhance technological import, which can be ensured very favorably through this channel.

[Question] What is your opinion of the Hungarian foreign-trade network abroad?

Laszlo Pal: In product marketing the forecasts of the changes in demand and prices are satisfactory, but the information that the network provides to substantiate ventures is weak.

Imre Bona: It would be warranted to cut the staff of the foreign-trade sections and to expand marketing by the enterprises. The representative of an enterprise could handle the affairs of several other enterprises as well. The representatives with nothing to do should be recalled. A foreign assignment should be assessed in terms of how successful it is.

Zoltan Marton: In my opinion, the Hungarian foreign-trade network functioning in socialist countries meet all expectations, but the foreign-trade network in convertible-currency areas has not kept pace with the requirements of expanding export.

The official foreign-trade sections provide very little initial information. The enterprises present in the foreign market are not coordinating their marketing, customer services and servicing activities in convertible-currency areas, which makes for higher overhead.

The state and enterprise representatives in convertible-currency areas should unquestionably be utilized more efficiently. The tasks given them should be more specific, and the rapid flow of information must be organized.

[Question] Have the internal organization and the internal incentive system of the enterprise or cooperative you are heading changed during the past 15 years?

Laszlo Pal: The number and tasks of the National Petroleum and Gas Industry Trust's enterprises, relations between the trust's headquarters and its enterprises, and the organization of the headquarters itself changed considerably. The essence of the changes during the past two years has been broader independence and stronger incentive for the trust's member enterprises.

At four locations the earlier wage-level regulation has been replaced with wage-fund regulation linked to the fulfillment of the local performance indicators. This has been made necessary by the unfavorable development of the manpower supply and by the modification of the enterprise incentives (income regulation and wage regulation).

The new internal incentive system provides a suitable framework for uncovering internal reserves. Its operation so far has resulted in a significant rise of productivity at every location, and thus at the enterprise itself.

Zoltan Marton: The enterprise's internal system of organization underwent change parallel with the continuous changing of the production structure. We have developed an organizational structure that is more operational from the viewpoint of management and provides the maximum territorial independence possible. This

organizational structure has proven very suitable. Our incentive system is likewise differentiated. We have developed a continuously expanding management information system that makes swift decision-making possible.

Imre Geszti: A basic change in the enterprise's organization occurred in 1968. It was made necessary by the abolition of the economy's management by directives. After several years of experience with more independent enterprise operation, in 1973 we adjusted the enterprise's organization to practice, and to the foreseeable long-term tasks and requirements. The organization that has evolved is satisfactory today and will remain suitable also in the future.

In our internal incentive system we strived to introduce continuously, year after year, changes that aided realization of our economic objectives (from a base pay plus commission system, to a moving wage system per man-hour of output linked to performance; and from bonuses based on the increase in sales, to bonuses based on the profit per worker and store). Further development of these systems was warranted by the changes in the economic environment. The central system of income regulation and the enterprise incentives were not in harmony (for example, the enterprise's profit incentive increased in 1979-1980, but the basis for giving raises was still an increase in sales). Modernization of internal management is particularly important in domestic trade because in this branch the new forms of entrepreneurship and business operation are more widespread than on average.

[Question] What consequences result from the existence of a forint with varying degrees of hardness that are not convertible in the domestic economy?

Laszlo Pal: Economic activity becomes rigid. For example, overregulation of wages results in that attention is focused on this expenditure that falls in the category of costs and is not even so substantial, diverting attention from economical management of embodied labor, of materials and fixed capital. The strictly defined circle of fixed capital should be narrowed further by raising the present lower limit of 20,000 forints to 50,000; and the lower limit for semi-fixed capital should be raised from 1,000 forints at present to 2,000 forints.

The mobilization of all kinds of funds should be made easier (fixed capital fund, development fund, circulating capital fund, profit sharing fund, etc.).

Istvan Antal: The attachment of various labels to the forint and the absence of their domestic convertibility are causing great harm by confusing and making practically impossible a clear picture of the economy. They introduce serious distortions in the valuation of resources and results, and in the assessment of various enterprises, activities, products, etc. They are causing great harm also by obstructing the sensible combination of resources and the development of an effective incentive system.

Zoltan Marton: Labeled currency is a significant obstacle to economic activity. A system of taxation will have to develop that is predictable and places enterprise operation on an entirely different foundation. The forint's domestic convertibility would produce a significant improvement in the development of costs, and in perfecting development and incentives. It would play an important role also with respect to risk-taking and planning by the enterprises.

[Question] What changes in macroeconomic management would you regard as necessary from the view point of your enterprise or cooperative's future?

Laszlo Pal: The National Petroleum and Gas Industry Trust is a broad vertical integration that embraces everything from research to marketing. The activities of our enterprises are interdependent, therefore I would not recommend organizational changes under the present conditions.

Istvan Antal: We need most of all to develop the economic regulators on the basis of uniform principles, in a systems approach. For example:

--The possibly most consistent application of the principle of competition indifference or tax indifference (a value added tax instead of cumulative taxes; personal income tax instead of wage regulation at the enterprise level with the base-period approach; proportional customs duties and their further reduction in the case of manufactured goods, etc.);

--Elimination, or at least significant narrowing, of the presently existing large-scale disproportions in the operating conditions--regulators, and the freedom of movement defined by the different constructions and rates of the regulators--of the economic subjects (enterprises, small companies, cooperatives, etc.) that fall under different forms of price, wage and income regulation;

--Removal of the restrictions that place the "leading" enterprises with a high proportion of export at a disadvantage in comparison with both their competitors on the foreign market and the nonexporting domestic enterprises (for example, specifically the "leading" enterprises are prohibited to employ the principle of the ability to absorb overhead, and the method of real competitive pricing that is widely used by competitors on export markets).

Zoltan Marton: I think it is very important that the economic regulators give preference to the striving and efficiently operating enterprises, because this results in achieving sooner the national economic objectives. The enterprise should not be restricted in engaging in a different kind of activity and should be free to take risks on its own decision. It is high time for the enterprise to feel confident that implementation of what it is planning, if good, will not be rendered impossible by various measures.

Imre Geszti: Further changes in the system of regulation would be warranted for the future of our enterprise and of food retailing. In recent years the rising energy prices, declining markups, and higher wage increases and taxes have created a situation such that the prospects of many an enterprise have become hopeless. Although food stores received some relief as of the middle of last year, at best it is able to alleviate only slightly the sharp decline in profits. The branch employs women almost exclusively. We need a wage policy under which our employees, working a five-day week, will be willing to wait on customers, enabling us to maintain in operation the substantial number of retail outlets that can be termed as obsolete, but which nonetheless are indispensable for supplying the population. (The available development fund is not enough even to maintain the present level of the retail outlets.)

The practice of years past proves that it is unwise to apply identical or approximately identical norms within economic regulation to enterprises whose activities

differ (use of the indicator of profitability as the basis for raising wages). The practical experience at present is that in many instances enterprises in other branches of the economy are able to achieve a several times higher profit level, with less effort. Therefore we regard normative regulation fair and warranted only within branches.

1014

CSO: 2500/321



# REDUCTION OF WORKING CAPITAL PLANNED TO CUT INVENTORIES

Budapest HETI VILAGGAZDASAG in Hungarian 11 Jun 83 pp 35-36

[Text] Experts on inventory management regard as excessive the inventories of goods, materials and parts that the enterprises and cooperatives have built up. A proposal of the Hungarian National Bank and of the National Material and Price Office, which at present affects 48 enterprises, likewise prompts a reduction of inventories.

The Hungarian National Bank and the National Material and Price Office have arrived at an intermediate station in their "long march" to study and influence the management of inventories at the enterprises. At last report they have held audits at 247 enterprises and found inventory management unsatisfactory at 48 of these enterprises. To the Ministry of Finance and the competent ministries they proposed that the working capital of these enterprises be reduced.

The combined total inventory of Hungary's enterprises and cooperatives is nearly 600 billion forints. According to inventory management experts, this places an unwarranted heavy burden on the economy. On the other hand, the proportion of credit in financing working capital is lower than what would be desirable, merely 15 percent. Which means that the enterprises and cooperatives are providing from their own resources 85 percent of their working capital. For all these reasons, macroeconomic management wants to prompt and compel the economic organizations to reduce their inventories in the course of their normal economic activity, or at least to slow down the buildup of inventories, and at the same time to increase the proportion of credit in the financing of inventories, at the expense of internal resources. (We will soon revert in our journal to the circle of questions concerning enterprise inventories).

The financial instruments that can be used to compel the economic organizations to improve their inventory management include the reduction of working capital at those enterprises whose inventory management has been found to be unsatisfactory. Thus a proportion of the working capital will be withdrawn from the enterprises where the audits revealed excessive inventories in comparison with the needs of current production. Withdrawal may not exceed 10 percent of an enterprise's average inventory positions. At the same time, to avoid possible difficulties in financing current production, the enterprise may apply for working capital credit, which may not exceed the amount by which the enterprise's working capital is being reduced. (The bank will provide credit from the withdrawn amounts. Therefore the affected enterprises may apply for working capital credit, the interest rate on which will be 13 percent as of

1 July.) Within one year from the reduction of working capital, the enterprises must reduce their inventories by the amount that has been withdrawn. If they fail to do so, they must replenish their working capital from their development fund.

Proposed Reduction of Working Capital (million forints)

	Forgóalapvetési (1) javaslat	(4) Ebből					
		azonnali elvonásra		december 31-ig függőben			
		(5)		(6) tartásra			
		(7) javasolt forgóalapvetés					
	(2) összege (millió Ft)	(3) a készlet- érték %-ában	(2) összege (millió Ft)	(3) a készlet- érték %-ában	(2) összege (millió Ft)	(3) a készlet- érték %-ában	
(8) Bányászat	138,0	9,1	98,0	6,5	40	2,6	
(9) Gépipar és kohászat	890,7	7,8	791,6	6,9	99,1	0,9	
(10) Vegyipar	108,4	7,1	108,4	7,1	—	—	
(11) Könnyűipar	289,6	7,9	254,4	6,9	35,2	1,0	
(12) Ipar összesen	1426,7	7,9	1252,4	6,9	174,3	1,0	
(13) Építőipar	100,0	8,0	100,0	8,0	—	—	
(14) Élelmiszeripar	21,7	9,4	—	—	21,7*	9,4	
(15) Belkereskedelem	116,0	4,1	116,0	4,1	—	—	

\*Suspended until 31 August, respectively until 30 September.

Key:

- |  |                               |
|--|-------------------------------|
| 1. Proposal for reduction of working capital | 8. Mining industry            |
| 2. Amount (million forints)                  | 9. Engineering and metallurgy |
| 3. Percent of inventories                    | 10. Chemical industry         |
| 4. Of which                                  | 11. Light industry            |
| 5. Immediate reduction                       | 12. Industry jointly          |
| 6. Suspension until 31 Dec                   | 13. Construction industry     |
| 7. Proposed                                  | 14. Food industry             |
|  | 15. Domestic trade            |

The legal basis for the reduction of working capital is a decree that the Council of Ministers issued last year. The Hungarian National Bank and the National Material and Price Office may jointly propose the reduction of working capital. The proposal must be approved jointly by the Ministry of Finance and the enterprise's supervising organ.

At the end of this peculiar merry-go-round, the authors of the proposal expect a reduction of inventories at the ominous enterprises. The present proposal affects 48 enterprises, and the reduction of working capital would amount to 1.7 billion forints or 7.4 percent of inventories. This includes nearly 1.5 billion forints proposed for immediate reduction, while the withdrawal of an additional 200 million forints will depend on the fulfillment or nonfulfillment of certain conditions regarding the improvement of inventory management.

The Hungarian National Bank and the National Material and Price Office are continuing their inventory management audits, and audits at 200 more enterprises will be completed by the end of June. In the second half of this year, the audits will extend to additional enterprises.

The basic purpose of the inventory audits, and of the measures following the audits, is to compel the enterprises to review their inventories and, as a result, to reduce and mobilize the unnecessarily accumulated inventories. However, the general view held by the supervising organs is that a substantial improvement requires further measures to compel enterprise behavior such that increasingly demands sensible inventory management.

#### Basic Dictionary

**Circulating capital fund:** In the socialist economy, that proportion of the enterprises' production funds which is used up entirely in each production period, and whose value is transferred to the value of the product. Circulating capital fund includes, among other things, the raw materials, basic materials, supplies, fuels, purchased parts, and the work in process. According to accounting and financial usage, the circulating capital fund is the fund of working capital, from which the enterprise finances the working capital necessary for its production (or circulation). The enterprises increase their circulating capital fund from their profit (through their development fund), or they apply for medium-term bank credit to advance their circulating capital fund.

**Working capital:** The value of the assets that are used up completely in each production cycle, lose their original form, and transfer their value to the value of the product they helped to produce. In the socialist economy working capital is used to form production inventories, work in process, finished products and other values, and to supply also other needs of production and circulation. Acceleration of the rate of return is of great importance from the viewpoint of working capital's proper utilization: a higher rate of return enables enterprises to produce a larger quantity of products with the same amount of working capital.

**Inventory:** The stock of various products, recorded by quantity and value, that can be found at the given commercial or industrial enterprise at a certain time. Industrial enterprises have inventories of materials, semifinished products, work in progress, and finished products. Enterprise accounting keeps records of these inventories in separate groups. For example, according to whether the inventories are moving or idle. A moving inventory is that quantity of products or materials which can be sold or used for their intended purpose. An idle (or frozen) inventory has been in storage at the enterprise for a long time and will foreseeably take long to sell or use.

**Inventory management:** In the socialist economy, economic activity that forms the inventories necessary for the continuous and smooth operation of production and distribution, including also the related system of planning tasks. The enterprises independently decide how much inventory to maintain, but in the case of certain products of national economic importance, they may be required to maintain mandatory inventories. Enterprise inventories are formed with due consideration for their production or distribution needs. In principle they are striving to perform their production or distribution tasks with small inventories, so as not to tie down monetary resources unnecessarily, which would reduce the enterprises' net income. As cooperation among enterprises is perfected, the relative size of the inventories that must be maintained declines.

## HUNGARY

### ACHIEVEMENTS, PROBLEMS OF TECHNICAL DEVELOPMENT TRACED

Budapest MUSZAKI ELET in Hungarian 17 Mar 83 p 3

[Article by Gyula Szeker, president of the National Technical Development Committee: "Topical Questions of Technical Development"; passages in slant lines printed in italics]

[Text] Recently, Dr. Gyula Szeker, president of the National Technical Development Committee, gave a lecture on the current issues of technical development at an expanded MTESZ (Federation of Technical and Natural Sciences Associations) presidential meeting. The following are excerpts from this lecture.

One-quarter percent of the world's population lives in our country; Hungary is responsible for 1/2 percent of the world's production. In the list of countries, we rank 28th to 30th in the production of per capita national income, 25th to 30th place in the production of electric energy and paper, and our production of synthetics, chemical fertilizer, cement and steel is in 10th to 20th place. Our manufacture and production of light bulbs, eggs, wheat, meat aluminum and bauxite ranks among the first six.

The listing shows that in certain areas we are able to take the lead in the international arena or that we have an international standing worthy of recognition.

The modernization of production structure and products--a vital issue--is a three-pronged activity: development of a modern industrial structure, the manufacture of modern products and the introduction of modern technology.

#### The Tasks of the State

/The modernization of the production structure and of products is a long-term process/ which is shaped by economic policy. After the liberation, we intentionally set out to become independent in terms of our energy needs by relying on coal. Similarly intentional was the creation of an independent supply of raw material for smelting. The country's leadership also acted intentionally when an industrial structure similar to that of economically developed countries came into being in the Hungarian Peoples Republic during the '60's and '70's.

The organization of large-scale agricultural production was a conscious act as was the creation of a modern infrastructure of production and population.

In our country, there are views which hold that energy and raw materials production deprive the manufacturing industry of development resources. And since the manufacturing industry is underdeveloped, it is neither able to satisfy the needs of the country nor is it able to meet increased export expectations because of its technical quality.

It is certainly true that our manufacturing industry could use development. This is what affords industrial production and employs two-thirds of the workers. If a longer time span is examined of 10 to 15 years, it receives one-third of the capital and investments. Its material consumption rate is 60 percent and it exports approximately 40 percent of its production. On the ruble currency standard, it is a net exporter, especially the machine industry. However, in a convertability relation, the manufacturing industry as a whole is a net importer. The convertability balances of the machine industry, chemical industry and light industry are negative. The hard currency export and import of our pharmaceutical production has a balance of zero, taken as an average of many years, as does that of our vehicle industry. Telecommunications and electronics are net importers.

Among the more important economic sectors, the food production economy is a net exporter in all its aspects. The aluminum and iron as well as the petrochemical industries are net exporters.

One of the tasks of the current economic policy is to form those proportions through which the raw materials and manufacturing industries are developed in order to create an equilibrium in accordance with the current economic policy circumstances.

The maintenance of our standard of living depends on the extent to which we advance in creating our economic equilibrium, and how successful our agriculture and industry will be as a result of the acceleration of technological development. It would be a mistake to think that a good economic policy /alone/ could engender technical development of a proper orientation, and that a good general policy alone could produce proper managerial methods, thus also the managerial methods for technical development.

There is a need for creative work in technical development and towards successful management and practices. In our country today, the propensity for innovation must be specially fostered because it is almost a matter of life and death. /The role of the enterprises is fundamental/ to innovation, thus the prerequisites for this must also be created at the enterprises. The /state/ likewise /has tasks/ in pinpointing the most important areas of technical development and must directly handle certain matters associated with technical development.

In 1980, the total energy consumption for the year of our economy in round numbers was 300 petacalories.

As a result of the increase in energy costs as well as the improvement in our energy consumption program, it is expected that by 1985 energy consumption of 310 petacalories would be sufficient. Compared to the original plans, approximately 15 petacalories are due to a decrease in production as well as the modernization of product structures,



and 5 to 10 petacalories to actual energy rationalization. As a comparison, in earlier years, energy consumption increased 3 percent yearly.

#### Our Machines Are Heavy

As a result of the reconstruction of metallurgy, the designers and technologists of industry must prepare the Hungarian /machine industry/ for the utilization of /high-quality steels/, alloyed aluminum and refined copper, and must create the technical conditions for their adoption by the machine industry. Our machines are too heavy. The mass per square meter of heating surface of our radiators is 33 kilograms, while abroad it is only 25 kilograms. In certain production categories our machine tools weigh 5500 kilograms in contrast to foreign ones weighing 4500 kilograms. In our city buses, 160 kilograms are allotted per passenger while in the products of the German Federal Republic, it is only 143 kilograms.

Presently 8 to 10 percent of our steel consumption consists of high quality alloyed goods; this ratio is 15 to 20 and even above 20 percent in economically advanced countries. In our ferrous metallurgy, the slag of the blast furnace is great; the surplus coke needed for the yearly 2 million tons of pig-iron production costs 70 million dollars--as compared to the most advanced--and this is all /because of the higher silicic acid content of the ore that is used./

The results produced by the chemical industry in past years are worthy of recognition. For 2 to 3 years already, the yearly plastics consumption has been around 350,000 tons. /Two-thirds of the plastics are either directly or indirectly consumed by the public/. The food economy utilizes one-half of the plastics production.

#### Centralized Programs

During the past 1 and 1/2 decades, we have worked out central development programs and the most important tasks for our economy, and within this, for the modernization of our industrial structure. The purpose of these is to develop a production structure which is better suited to Hungarian potentialities. Occasionally, it is appropriate to also evaluate the central development programs /at broader social discussions/ because the opinions expressed at these discussions also offer useful information to the directors of economic policy and to those participating in the program.

/Today we have a modern aluminum industry/ as a result of the central developmental program for the aluminum industry and the development of the domestic aluminum oxide and aluminum industry as well as the development of bauxite mining, and further, as a result of Hungarian-Soviet aluminum oxide-aluminum cooperation. Yearly, we produce nearly 300,000 tons of aluminum and approximately 900,000 tons of aluminum oxide and we developed an advanced semi-finished and finished goods aluminum industry. As of today it seems that with prudent management our bauxite resources will last for 40 or 50, and perhaps even 60 years. The Hungarian-Soviet aluminum oxide-aluminum agreement is in the process of being expanded and lengthened. The aluminum industry has become one of our important industrial sectors /which produces foreign currency/.

Significant results have also been born in the wake of the implementation of the petrochemical central developmental program. The basic goal of the program was /to supply the populace, industry and agriculture with synthetic materials/.

Despite development, in 1982 the chemical industry's product imports were around 1.1 to 1.2 million dollars. The exportation of chemical products did not affect this, thus the foreign balance of trade of our chemical products is negative. We must endeavor to eliminate the chemical industry's negative foreign balance of trade.

The question arises whether price increases in energy, natural gas, crude oil and gasoline will make this a deficient, disputable system. However, fundamentally this program is of an import-producing nature. Among other things, it was created with the intention of insuring a supply of packaging materials for department stores, possibilities for storing and transporting frozen goods, and the manufacture of aluminum foil [for agricultural purposes].

To date we have invested 250 million dollars into petrochemicals. In the 5th 5-year plan, petrochemical exports amounted to 500 million dollars, thus we have already twice recovered our foreign currency investments through the exportation of products.

During the past 12 years, a modern computer technology equipment center and its utilization was established with the aid of a central computer technology development program. As of today, two-thirds of the stock equipment is of domestic or socialist origin, and considering its capacity, nearly one-third originates from capitalist countries. Presently, we import computers from capitalist countries only in cases where it is a direct part of a technological process. Today, about half of our production enterprises already use computers and consider the utilization of computer technology as an organic part of their production and management tasks. At the time of the 6th 5-year plan we produced roughly 30 billion forints worth of computers and associated paraphernalia. Thus in the past decade, a new industrial sector was created in our country. By 1985 we will have about 900 intermediate- and high-performance computers to which we must add approximately 1,000 mini- and a few thousand microcomputers.

We must say a few words about the central development program for electronic components and subassemblies. It is expected that electronics /based on micro-electronics/ will lead to significant economic results in the Hungarian national economy. We are many years behind in the manufacture of electronic components and integrated circuits. The prepared program sets forth the tasks for the next 10 years in order to reduce capitalist imports along with the formulation of the basic principles of socialist cooperation. It contains the types of equipment-oriented integrated circuits which would be required by our equipment-manufacturing industrial sectors--the telecommunications, computer and medical instrumentation industries. Between 1982 and 1984 a factory for the manufacture of integrated circuits will be built on Fót Road. A task yet to be met is the organization of a plant for the production of master matrices and a planning division. The assembly and measuring plant in Gyongyos which is affiliated with the Microelectronics Enterprise must be expanded.

#### Main Points

The central development program for the manufacture of pharmaceuticals, insecticides, as well as intermediates is a timely program. Between 1981 and 1990, within the framework of the program, we must organize, from the resources and credits of

enterprises, the manufacture of products which require little energy and which are of great value, require research and are based on great domestic traditions.

At present, the yearly production of pharmaceuticals and insecticides amounts to more than 25 billion forints. In round numbers, 20,000 people are employed in the pharmaceutical industry; 3,000 of these are in research and development. In terms of production, we rank 12th in the world, and are in 8th to 10th place in terms of exports; in terms of specific exports, we are in 2nd place.

The purpose of the development program is to increase our pharmaceutical production 2 and 1/2-fold during the next ten years; to double our exports to socialist countries and to quadruple our exports to capitalist countries. We must reach the point of marketing 2 to 3 original drugs/ each year instead of 1 or 2.

We must say one or two words about the completed central development program for natural gas consumption. Today, 10 billion cubic meters of natural gas is utilized by the country. Of this, 6-7 billion cubic meters is domestically produced and 4 billion is imported from the Soviet Union. Presently, /natural gas accounts for a quarter of our energy consumption/. The hydrocarbon reserves discovered in the Alföld made possible the manufacture of chemical fertilizers, the expansion of the synthetics industry and the partial fuel supply for the smelting and cement industries.

The central development program for the vehicle industry supervised the development of the vehicle industry for 10 years. Today our country is among the first /five bus manufacturing countries in the world/. Ninety percent of the 13-14 thousand buses manufactured yearly is produced for exportation. Our bus exports are worth 400 million rubles and our subassembly exports are worth 600 million rubles. In addition, our exports to capitalist countries are worth 160-180 million dollars.

We succeeded in developing the manufacture of axle housings in the rather significant number of 150,000 pieces a year at the Rába Truck and Machine Factory. The vehicle industry accounts for 20 percent of the machine industry's production and has thus become a determinant industrial sector.

However, the vehicle industry cannot stop at the results it has reached thusfar. There is a need for a suitable restructuring of engine manufacturing, development of new types of frames and undercarriages, realization of automatic transmissions, axle housings, modern steering mechanisms and air-conditioning, and for more creative and productive cooperation between factories.

In our age rapid technological development has become a very urgent task. Certain circles in the United States maintain that technical knowledge for them is the same as oil is for the Arabs. One of the documents of the French Federation of Manufacturers states that innovation is the ultimate weapon. I believe that we must pay special attention to those activities of the member associations of the MTESZ through which we may make technical development more fruitful in our country and accelerate the reconstruction of our economy. We have allocated nearly 100 billion forints towards technical development during the current 5-year plan. In comparison, in the 6th 5-year plan, 80 billion was allocated towards central housing and 14 billion towards health promotion.

We might conceive of technical development as an economic enterprise realized through the process of innovation, and there is ever greater emphasis on managing it as an enterprise. The enterprises possess 80 to 85 percent of technical development resources because from the start, two-thirds of it remain with the enterprises and almost half of the remaining one-third is returned to the enterprises by the central development programs within the framework of financing by the National Intermediate Research and Development Plan (OKKFT).

The budget for the current 5-year plan allocates 23 billion forints towards technical development. This is appropriated to subsidize the 16 topics appearing in the OKKFT and for basic research. Thus we have /more or less/ indicated the most important areas of concern. Their success will be decided in the future.

The amount /allocated for the purchase of licenses from research and development funds/ is rather small and may be placed at about 7 percent. It is particularly surprising that we purchase few socialist licenses: /only one-tenth of the licenses purchased originate in socialist countries/.

#### Shortage of Capital

Enterprises, according to certain surveys prepared under the aegis of the MTESZ, wish to purchase 800 licenses during the next 3 to 5 years. In general, the amount of purchasing is not increasing and this is worrisome; at any rate, further investigation is required. Of the 360 enterprises surveyed, half wants to buy licenses and the other half does not. From the answers it also becomes apparent that those who wish to continue buying are the ones who have done so in the past. A portion of those questioned believe that the purchase of licenses is unnecessary to maintain their production; the other half are unable to purchase licenses because they do not have the development fund or credit resources necessary to go into production. According to their experience, capital investments of 5- to 10-fold are needed to realize the licenses.

The pace of technical development in the world has accelerated and more and more knowledge is needed. The technical and economic skills of the technical intelligentsia must be constantly updated. Those with greater learning and creativity must be accorded advantages and be better appreciated. Similarly the same must be accorded to those enterprises willing to take risks and responsibilities.

9956

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# MANAGERIAL PERSONNEL SALARIES NEED UPWARD ADJUSTMENT

Budapest HETI VILAGGAZDASAG in Hungarian 11 Jun 83 pp 34-35

[Article by Endre Babus: "Managerial Incomes"]

[Text] The income possibilities of top managers at enterprises and nonagricultural cooperatives are about to change. Most recently, the ministers of construction and urban development, agriculture and food, foreign trade, and domestic trade issued statutory regulations specifying how to interpret within their respective branches the new provisions introduced this year regarding the variable wage components of top managers.

A few months ago, the economic director of one of the giant domestic enterprises said with unconcealed dissatisfaction: "Forty blue-collar workers have higher take-home pay than I do." Behind the padded doors of managerial offices, similar in-house statistics are being cited with increasing frequency lately. And in the final outcome, not without some justification: the gap between the average base pay of top enterprise managers and their subordinates was narrowing increasingly.

From 1969 to 1980, average earnings in Hungary increased by 108 percent, but at the same time the average salaries of top enterprise managers rose only at half that rate, by about 50 percent. At the beginning of the 1980's the regular salaries of directors were 1.8 times the base pay of skilled workers, and not even the variable wage components for managers altered this ratio significantly. The combined total of the directors' bonuses, premiums and profit sharing averaged 30 percent of their base salary.

From the viewpoint of top enterprise managers, the wage and benefit systems of the past decade and a half equalized at the workplace, specifically where wage differentiation, or at least preservation of the wage ratios, would have seemed warranted. For the rate of increase of the directors' base salary can hardly be kept constantly lower than the rate of increase in the base pay of other workers, because this could easily lead to the managers' losing interest. On the other hand, the wage and benefit systems differentiated in private life, specifically where equalization should be the objective, instead of the possible institutionalization of managerial privileges. For lately the "market value" of managers has been expressed increasingly in their benefits over and above their earnings: in their better opportunities to obtain housing, a car, and recreation.

The base pay schedule for managers that was introduced in 1981 (it remained in effect until the spring of this year) did not permit giving managers the pay



raise that economic analyses had been recommending with increasing urgency. (In agriculture, for example, the average base salary of managers in 1982 was already 95 percent of the allowable maximum.) A meaningful increase of domestic managers' base salaries has finally been made possible by a decree that a deputy premier issued early May of this year. Effective 1 April 1983, it permits setting the maximum salaries of directors general, directors and their deputies, and of cooperative chairmen and deputy chairmen, 20 percent higher than the upper limits of the salary brackets in the previous schedule of base salaries. The new system of bonuses that the State Office of Wages and Labor Affairs approved as of 1 January 1983 is likewise expected to partially increase managerial salaries. In the case of the same amount of enterprise profit as previously, the new bonus system unambiguously increases the managers' bonuses: the new fixed bonus multipliers are equal to, and sometimes even higher than, the upper limits of the previous, so-called from-to, multipliers.

If last year, for example, the ratio of capital to wages at an enterprise was between 2 and 5, it was necessary to calculate with a bonus multiplier between 0.8 and 2, as specified by the branch ministry. Since 1 January, however, the bonus multiplier is uniformly 2. Finally, the new regulations now in force have abolished the upper limit of the so-called comprehensive premium, but the combined total of premiums by supervising organs may not exceed 20 percent of the total of the managers' base salaries. The individual ministries are now issuing, one after the other, their executory instructions to interpret the enabling statutory regulations. The first to issue new instructions on the system of bonuses for managers was the Ministry of Agriculture and Food, followed by the Ministry of Construction and Urban Development, the Ministry of Foreign Trade, and the Ministry of Domestic Trade.

A peculiarity of the present situation is that the pay package for managers, differing from the previous one primarily in magnitude but slightly also in its internal composition, has arrived just when nationally real wages are falling. According to the estimates of the Ministry of Domestic Trade, for example, wages within the branch will be raised this year by 3.6 to 3.8 percent (this is in agreement with the plan to raise wages nationally), while the price level is expected to rise by 7.5 percent; but at the same time the base salaries of managers will be raised by between 8 and 12 percent. This includes a monthly allowance of 1050 forints, introduced within the ministry to compensate for the ban on the private use of official cars; enterprise managers within domestic trade have been getting half of this amount last year, and the full amount as of this year.

The second item of the pay package is the new bonus system. In response to our question, Laszlo Popper, section chief of the State Office of Wages and Labor Affairs, told us the following: "Parallel with increasing the earnings of the top managers at enterprises and nonagricultural cooperatives, the modification wishes to establish, in agreement with our intentions, an automatism under which the amount of the bonus will depend not on evaluation by the superior organs, but on performance that can be measured with the enterprise's objective indicators." Accordingly, the bonus is based on two indicators: the indicator of profitability (profit divided by the total of wages and capital), and the bonus multiplier (the value of capital divided by wages). But since this model would have significantly reduced the bonuses of those managers who have started substantial

investments, both indicators have to be calculated on the basis of the data for the last three years. The statutory regulations specify that in exceptional cases--for example, when the proportion of capitalist export within the output's value is outstandingly high in comparison with the average for the given branch--the branch minister may increase the bonus multiplier by up to 20 percent, or he may reduce the bonus multiplier by as much as 20 percent if the ratios of earnings within the branch unquestionably warrant a reduction.

Jozsef Szakal, deputy department chief within the Ministry of Agriculture and Food, explains: "We have reduced the bonus multiplier in cases when the profitability of an enterprise has been excessively high, for cyclical reasons. If we find that the bonus is too much even so, in a ministry ordinance we set special tasks for the manager."

Besides the ministries' discretionary authority to modify the bonus multiplier within  $\pm 20$  percent, individual enterprises or entire subsectors may be exempted from the general rules governing bonuses. According to the statutory regulations, this is warranted primarily in the case of enterprises that are not profit-oriented (for example, in the case of enterprises included in the subsectors of public utilities, real-estate management, and cultural services); according to the decree, however, "this is not prohibited also at other economic organizations."

For example, the minister of domestic trade has exercised his authority to make exceptions and has set special bonus rules, based on the ratio of profit to wages, for managers of enterprises in the catering, fruit and vegetable procurement and wholesale, and food retail subsectors. The minister of foreign trade has left the question of what bonus multiplier to use to the discretion of the supervising organs of the enterprises that are conducting foreign trade. Of the 866 economic organizations in the construction branch, 502 enterprises have "special" rules that differ from the general rules governing bonuses for managers. Moreover, the ministry must approve separately the bonuses for the directors general, directors, and their deputies, if the bonuses exceed 30 percent of these managers' annual base salaries.

In awarding bonuses for managers, then, there still is wide room for deliberation, to put it tactfully. The argument that many supervising agencies employ against automatic bonuses is the following: "You cannot expect from the manager of a 100-year-old factory the same production results as from the director of a brand new plant."

In the final outcome, then, to what extent have the new regulations changed the old system of remuneration for enterprise managers? In principle, establishment of the possibility to raise salaries is intended to provide more incentive. But the variable wage components, especially the comprehensive premiums awarded on the basis of subjective evaluation, have not been linked to base salaries; in other words, they depend on evaluation by the supervising organs, in the same way as before. At the ministries that have already issued branch rules for the remuneration of managers--Ministry of Construction and Urban Development, Ministry of Agriculture and Food, Ministry of Foreign Trade, and Ministry of Domestic Trade--a significant change in the proportions of variable wages and base salary is not considered warranted. In our discussion with Jozsef Szakal, deputy department chief within the Ministry of Agriculture and Food, he expressed

the following view: "If the proportion of variable wages in relation to base salary were to be reduced from 35-40 percent at present to 10 or 15 percent, this would not provide a strong enough incentive for managers to achieve the national economic and branch objectives."

#### Salary Schedule for Hungarian Managers

The category in which a given economic organization belongs determines the upper and lower limits of the base salary--in other words, the salary bracket--of the top managers of enterprises and cooperatives. Since 1980, enterprises are classified into four categories: K (Exempt), A, B and C. The pertinent decree of the minister of labor distinguishes nine groups. In six of these groups--contracting construction enterprises; state industrial and transportation enterprises; water supply, sewer and bathhouse enterprises; domestic trade enterprises; state farms; and state forestries and wood processing plants--there are enterprises in all four categories. In the remaining three groups--water conservation enterprises; the local councils' real-estate management and agency enterprises; and horticultural, sanitation and municipal service enterprises--there are enterprises only in categories A, B and C.

In the first schedule applicable to state industrial and transportation enterprises, Exempt category includes the large enterprises that employ more than 10,000 persons, provided their output or fixed capital exceeds 6.0 billion forints, or if the output and fixed capital exceed 2.4 billion forints each. The enterprises in category A employ more than 5,000 persons; in category B, more than 2,500 persons; and in category C, fewer than 2,500 persons.

Cooperatives are classified into three categories (I, II and III) on the basis of a specified point system. For example, industrial cooperatives that have more than 6,500 points belong in category I. A worker is worth 5 points; one million forints of output, 30 points; and one million forints of housing construction, 50 points. Cooperatives with 3,000 to 6,500 points belong in category II; and the ones with fewer than 3,000 points, in category III.

The minister of labor introduced the categories of economic organizations in 1971, as the basis for differentiating the base salary of top managers at enterprises and cooperatives. Since then the supervising organs have taken this classification into account also in setting other norms: for example, the per diem allowances for foreign travel, the number of cars the organization may maintain, etc.

#### Base Salaries of Enterprise Managers (As of 1 April 1983)

	Exempt (K)	A	B	C
1. Director general, director	8500-15,600	7400-14,400	6600-13,200	5000-12,000
2. Deputy director general, deputy director	7400-14,400	6300-13,200	5650-12,000	4550-10,800
3. Technical, trade, economic managers				
I. Department chief	6500-10,000	5400- 9,000	5000- 8,500	4550- 8,000
II. Section chief	5400- 9,000	5000- 8,500	4550- 8,000	4000- 7,000
4. Production, traffic manager		3400- 8,500		

Base Salaries of Cooperative Managers (As of 1 April 1983)

	<u>I</u>	<u>II</u>	<u>III</u>
1. Chairman	6500-13,320	5650-12,000	4550-10,800
2. Deputy chairman (technical, trade, economic)	5650-12,000	5000-10,800	4250- 9,600
3. Technical, trade, economic manager			
I. Department chief	5000- 9,000	4550- 8,000	-
II. Section chief	4550- 8,000	4250- 7,000	3600- 6,500

Note: The salaries of the chairmen and deputy chairmen of agricultural cooperatives are determined by separate regulations.

1014

CSO: 2500/323

# SPECIALIZED, SMALL UNDERTAKINGS FLOURISH IN AGRICULTURE

Budapest FIGYELO in Hungarian 30 Jun 83 p 13

[Text] The laws enacted in regard to the new organizational forms of business aroused lively interest among the TSZs [agricultural producer cooperatives]. This was because in most counties the TSZs considered maintenance of the systems of remuneration which proved successful in the past as well as the framework for household plot operation satisfactory. Chiefly TSZs located in densely populated areas and near industrial plants undertook to use the new forms. Of those which came into effect on the first of January 1982, the updated specialized agricultural group, specialized industrial services group, the enterprise business work team and the lump sum payment system were adopted by the TSZs.

At the national level, a total of 6,200 units employing 65,000 persons had been established by the end of 1982; of these, 542 units employing 10,000 chiefly part-time workers are connected to the TSZs. The value of their production accounts for 0.5 percent of total TSZ output.

Nearly 200 specialized agricultural groups employing 7,000 persons operate in the TSZs. Their principal activities involve livestock raising, grape and fruit growing and horticulture. The value of their output approximates two billion forints. Generally the performance of a group includes a fraction of family work time regardless of where the individual family member works nor in what capacity. The specialized agricultural groups are incorporated in the activity of the TSZs as independent units. Sometime registration and systematic separation from TSZ work of production equipment by such groups presents problems.

Regulations are unclear as to whether such groups must set up development funds or whether the groups themselves are to decide whether this is necessary. This is interesting because most of the specialized groups do not produce common wealth; they have no common sales receipts; they form no pool of fixed assets. Consequently, there are obstacles to formation of funds. However, this lack does not mean that farms operating in the framework of such groups are incapable of development: This is because the members finance development from their own incomes.



The ultimate reason why specialized agricultural groups set up no separate development funds is because the members provide investment coverage in advance in the case of plantations, for example. The capacity of the labor force and the amount of work time available set the limits for expansion of production. Thus opportunities for making use of a possible development fund are limited. In practice, most specialized agricultural groups do not work jointly, in order to avoid the obligation of setting up funds. In a number of places, members of such groups sell their products independently. It is mainly for this reason that many TSZs have not supported specialized agricultural group activity. The former organize small scale production in the framework of the private plot and try to integrate it with TSZ activity.

So far TSZs have formed 220 specialized industrial groups employing 6,000 persons. Their annual production plan amounts to 550 million forints. Most of these have been formed in Pest and Borsod-Abaúj-Zemplén counties. The fact that no system of reimbursement for use of enterprise production equipment has been worked out poses problems for these groups. The TSZ can share in the profits of a group only if it gives it a proportional amount of financial support. It cannot demand to set the profit percentage merely for organizing, controlling and accepting a certain amount of responsibility for group operations. This form of undertaking provides extensive opportunities because it is not bound by manpower restrictions and official approval. It is the best way of involving manpower reserves in production.

Enterprise business work teams are worth forming chiefly in places where the market is active, where there is need for production flexibility or service adaptability. So far, TSZs have established 27 enterprise business work teams employing 216 workers.

The TSZs operate 126 lump sum accounting shops which pay the large farms 150 million forints a year. Organization of a lump sum accounting section, since it is not a small undertaking but an independent accounting unit, is expedient where the size of the producing unit does not exceed 15 persons. Plus income accruing from the work of such units belong to unit members. The TSZ may share in it only if achievement of the plus income increased its expenses. One problem of this type of setup is that no satisfactory method of determining employee's wages during the year has been found. This ties in with the need to ensure sick leave. Sick leave, as an element of lump payment, cannot be calculated in advance. Therefore it is difficult to provide funds for the sick leave actually paid. Independent operation is also difficult because the law calls for price setting. An independent specialist would be needed to perform this work, and a relatively small unit can ill afford to support such a person.

The TSZs have turned a few stores and restaurants over for operation by contract. They have also rented out a few old stables and one or two flocks of sheep that could not be tended efficiently in the course of regular TSZ activity.

A few undesirable phenomena have surfaced during the operation of the aforelisted organizational forms. Performance has declined during prime regular work time at a number of TSZs. Conflict has become more intense in competing activity between small undertakings and TSZ main work projects.

In the case of TSZ specialized groups which perform industrial services, it is very difficult to separate time and material requirements of cooperatives from those of the specialized work groups.

The new laws provide a mere framework which must be given substance through agreement between the large farms, TSZs and the small entrepreneurial groups. The most uncertain and sensitive point of these agreements is how, to what extent and on what legal basis the income of the cooperatives and small groups should be shared.

CSO: 2500/347

# OFFICIAL DISCUSSES MEASURES TO ENSURE ADEQUATE LABOR FORCE

Bucharest ROMANIA LIBERA in Romanian 27 May 83 pp 1, 3

[Interview with Victor Dragoiu by Mircea Scripcu]

[Text] Measures taken in the counties discover available manpower and orient it toward production sectors. Sustained efforts for recruitment and training of personnel needed in the priority sectors: mining, petroleum, geology, hydroelectric power construction, and machine-building units at shipyards. Three to twelve-month on-the-job training courses.

At the present time, when qualitative factors play a predominant role in the development of the national economy as a whole, thorough personnel training, including improvement of the existing workers' skills, is a cardinal requirement. In connection with the measures adopted and with the mode of operation in this context, I asked Victor Dragoiu, deputy director in the Ministry of Labor, for a number of details.

[Dragoiu] On the basis of the tasks set forth in the special programs approved by the National Conference of the Romanian Communist Party in December 1982, the guidelines and instructions given by Comrade Nicolae Ceausescu, the Secretary General of the Party, at the work conference of the Central Committee of the Romanian Communist Party in January 1983 with management personnel, specialists, and workers of the mining and geology industry and at the work conference of the Central Committee of the Romanian Communist Party in March 1983 with management personnel and workers of the petroleum industry, the Ministry of Labor, together with the economic ministries, examined the requirements of individual industrial units and trades for skilled workers and adopted appropriate measures for recruitment and training of the necessary manpower.

[Question] "What details can you give us on these measures and how are they being carried out?"

[Answer] For the economy as a whole, 67 percent of the requirement for skilled workers will be met this year by graduates of lycées and trade schools, and 33 percent by workers trained on the job, in courses lasting three to 12 months, depending on the specific needs of the trades. The majority of the latter workers are already in production.

Quarterly schedules for the organization of courses have been drawn up for on-the-job worker training courses. During the first quarter of 1983 alone courses which began last year have been completed, and 64,000 persons have been hired as skilled workers, while another 75,700 workers have begun on-the-job training courses, which they will complete this year."

**Question** How is personnel training being ensured for the priority sectors of the economy?

**Answer** More than 23,700 skilled workers are being trained this year for mining units, more than 10,600 of whom will be trained on the job and the remaining ones by the lyceums and vocational schools. Of the latter, about 8,500 are being trained as miners, 732 as mechanics, 1,000 as electricians, and so forth. Particular attention is being devoted to providing skilled labor for the mining combines in the Jiu Valley and in Gorj County.

In 1983, more than 14,200 skilled workers are to be trained in the petroleum units, including 6,300 by on-the-job training. Special attention is being devoted to the driller trade, in which about 3,700 workers are being trained.

This year 11,000 workers are being trained for units of the Ministry of Electric Energy--and in particular for hydroelectric power construction units--including more than 8,100 in basic trades such as: reinforced concrete layer, carpenter, mason, and so forth. Similarly, more than 10,200 workers are being trained for machine building units at shipyards, including more than 5,400 in on-the-job training.

**Question** How is the manpower requirement being met?"

**Answer** To assist organizations in filling out their staffs of workers, the Ministry of Labor and the county directorates for problems of labor and social welfare have organized campaigns in all the counties of the country to find available manpower and to orient it toward the sector in need. Thus more than 43,000 workers have been recruited during the first quarter of 1983, including nearly 10,000 for mining units, more than 3,300 for drilling and extraction units, and 1,300 for construction and assembly trusts.

It is anticipated that in the future the requirement for skilled labor for all trades used in production will be met by vocational schools and lyceums. For this purpose, an analysis of the structure of trades is now being made together with the economic ministries, with the object of drawing up the pertinent school training plans, so that, starting in 1985, the on-the-job training courses will be restricted to training in more than one skill and to retraining of workers already at work in units.

**Question** What concern must be shown in the units in order to ensure that there is a skilled labor force?

**Answer** The units have the obligation of formulating needs for skilled manpower in accordance with the requirement of production and the provisions of the plan. These needs must represent the basis for the school training

plans for the counties, with a breakdown by types of training and by trades. It is necessary to ensure closer cooperation between the economic organizations and the school organizations for the purpose of substantiating the training plans. Mention may be made in this context of the effort made by the Ministry of Labor and the Ministry of Education and Instruction to carry out the task assigned by the party and state leadership of meeting in its entirety the requirement for skilled workers in the trades in which there is a need to ensure greater stability of workers in units and in the trades for which workers are trained, on the basis of a system of agreements and contracts regulating the mutual obligations between schools and enterprises and between students and economic units which grant scholarships.

Another important problem is that of the efficient organization by units of the practical production training of students and of the training practice period for graduates of the first and second lyceum levels, so that young workers can be rapidly integrated into production and carry out the tasks assigned to them. In addition, the best personnel, ones who have both wide technical knowledge and experience in production, must concern themselves with training workers on the job.

The personnel training needs are constantly increasing, in every sector of production. In the oil industry, for example, advanced technical and vocational training is needed for drillers in the zones in which oil is found at great depths. The oil derrick crew must become a center of vocational training and recycling.

An important factor in ensuring the necessary number of workers in trades performed under difficult working conditions (mining, drilling and extraction, hot sectors, construction and assembly) is that of assuring the best possible working and living conditions in order to ensure stability in the units.

6115

CSO: 2700/239



## BILIC DISCUSSES SOLUTION TO ECONOMIC DIFFICULTIES

LD010902 Belgrade TANJUG Domestic Service in Serbo-Croatian 1835 GMT  
30 Jun 83

[Text] Belgrade, 30 Jun (TANJUG)--To find a way out of the present economic difficulties it is necessary to change economic policy and not self-management, which is our most precious achievement and which we, as such, must continue to develop. We must change many things that now hinder the economy and prevent it from moving forward. This was stated by Jure Bilic, member of the LCY Central Committee Presidium, in a conversation with communists of the Stari Grad municipality in Belgrade today.

Jure Bilic stressed that when we speak about responsibility today we should first of all analyze the factors that led to the obsession with building on the basis of imported capital, and then we should eliminate these factors. Our responsibility lies in the fact that we raised loans and piled up debts in an uncritical manner without considering how we would repay these debts. This kind of economic policy also had an effect on people's attitude. Just as we raised loans in an uncritical manner, so we accepted ideas in an uncritical manner, which is why there have been a number of ideological deviations in our society, such as liberalism. We must resolutely oppose liberalism and the rising tide of petit bourgeois way of thinking, because any yielding to liberalism would merely lead to the other danger, to the strengthening of bureaucracy and dogmatism.

With reference to dogmatism, Jure Bilic singled out economic dogmatism. How is it possible, Jure Bilic wondered, that a country that ranks among the 10 technologically best equipped countries in the world should be afraid of the growth of the small-scale economy and private initiative?

The second dogma, in his view, was reflected in the attitude toward agriculture. It is true that the future belongs to large-scale agricultural production, but we do not have enough money for that now. Consequently we must stimulate production in the private sector, bearing in mind, naturally, the intensification of the process of association of farmers into the appropriate forms of cooperative organization.

Bilic stressed that certain changes had to take place in the League of Communists. They are indispensable, Jure Bilic said, if we want our society to develop at the rate at which we should like it to develop.

CSO: 2800/358

CHANGES IN LAW ON REHABILITATING, LIQUIDATING ENTERPRISES

Belgrade SLUZHBI LIST SFRJ in Serbo-Croatian No 28, 3 Jun 83 pp 846-848

[Excerpts] The Law on Changes and Additions to the Law on Rehabilitating and Liquidating Organizations of Associated Labor, as approved by the Yugoslav Assembly at the session of the Federal Council of 1 June 1983, is hereby declared to be in force.

P Number 275  
Belgrade, 1 June 1983

President of the Yugoslav Presidium  
(signed) Mika Spiljak  
President of the Yugoslav Assembly  
(signed) Vojo Srzentic

Law on Changes and Additions to the Law on Rehabilitating and Liquidating  
Organizations of Associated Labor

Article 1

In the law on Rehabilitation and Liquidation of Organizations of Associated Labor [SLUZHBI LIST SFRJ NO 41/80, 25/81 and 66/81], in Article 18 Paragraph 2, after the word "associated," the following words are to be added: "with other organizations of associated labor with which it has concluded self-management agreements on pooling labor and resources or other forms of links and more lasting operations."

Article 2

In article 19 paragraph 1, after the words "taxes and contributions from income", add a comma and the following words: "Obligations based on pooling or resources for the benefit of the fund for undeveloped regions, for priority investments for which obligatory pooling of resources is required in accordance with the law and obligations based on pooling of resources in accordance with self-management agreements on the foundations of plans of self-management interest communities for material production and social activities."

Article 3

In article 32 paragraph 1 point 1), after the word "resources", add the words words: "or about other forms of linking and more lasting operations."  
After point 2), add two points stating:  
"2a) the responsible agency in a republic or autonomous province on whose

territory the headquarters of a basic organization is located, upon a request for consideration of the reduction, postponement or canceling of obligations to pool resources for the benefit of undeveloped regions and for priority investments for which such pooling is required on the basis of law;  
2b) a bank that grants credits."

In point 3), in parentheses after the word "obligation", add a comma and the words: "-postponement or cancellation of obligation to pool resources."

#### Article 4

In article 35 paragraph 1, at the end of point 4), the period should be changed to a semicolon and followed by point 5) stating:  
"5) to a bank that grants credits."

#### Article 5

In article 37, add paragraphs 2 to 4 stating:

If the basic organization, because of uncovered losses on the final account, cannot pay the interest on credit and the credit principal, it can along with its rehabilitation program request the bank that granted it credit to cancel or postpone payment of interest on the credit or payment of the credit principal, or to postpone or cancel its payment of obligatory pooling of resources in the bank's funds.

A credit-granting bank is obliged to consider a request described under paragraph 2 of this article within 60 days of its receipt and to inform the basic organization of its decision.

Conditions and method of canceling or postponing payment of interest on credits granted, postponement of repayment of investment credit granted to basic organizations that have uncovered losses on their final balance sheet, as well as postponement and cancellation of obligations to pool resources in the bank's funds, shall be determined by a self-management agreement on the plan bases of the bank or other self-management agreements that are concluded at the bank.

#### Article 6

In article 38, paragraph 1 is changed to read as follows:

As exceptions to provisions of articles 31 and 37 of this law, workers in a basic organization that has declared bankruptcy can, if they believe that they can operate successfully without compensating for uncovered losses, decide not to submit a request to the parties that have assumed rehabilitation responsibilities, as follows:

- 1) for the amount of uncovered loss if the final account of the past year shows that they contributed at least that amount to the operating fund for the advancement and expansion of the material resources of operation, and if they agree to cover that amount of loss from income in the coming year;
- 2) for the amount of uncovered loss that does not exceed 50 percent of amortization established in the final account for the year in which the uncovered loss was declared, with that amount of loss to be covered in the coming year.

In paragraph 3 the words "coverage of loss" are to be replaced by the words "coverage of loss indicated in paragraph 1 point 1), or coverage of at least one third of the amount of loss indicated in paragraph 1 point 2) of this article as established in the past year and preceding years."

#### Article 7

To article 50, add paragraphs 2 to 6 stating:

A self-management agreement under paragraph 1 of this article can stipulate that the receivers, in a manner determined by that self-management agreement, can participate in setting the production program, the plan for production and the development program of a basic organization that is in reorganization.

The receivers and the workers in a basic organization that is in reorganization and that has an excess of workers, shall in accordance with the self-management agreement under paragraph 1 of this article, employ the extra workers by instituting new shifts, better use of facilities and expansion of the production program. As an alternative, they may undertake measures to arrange employment of the extra workers at other basic organizations in the complement of the labor organization or its broader organization.

The receivers and the workers in a basic organization under receivership shall by a self-management agreement under paragraph 1 of this article establish a board of trustee receivers, and determine its composition and duties.

In fulfilling the rights and responsibilities within its mandate, the board of trustees shall offer opinions and initiatives to responsible agencies in the basic organization that is being reorganized.

The responsible agency of the basic organization that is being reorganized is obliged to consider the opinions, initiatives and suggestions under paragraph 5 of this article and inform the board of trustees about its reaction.

#### Article 8

In article 52, paragraph 2 is eliminated.

#### Article 9

Article 53 is changed to read:

The workers in a basic organization are obliged to determine the causes of losses incurred and the responsibilities of individual workers, administrative agencies and management agencies, or of individual members of those agencies. If such responsibility is established, they shall institute proceedings for the dismissal of the identified operations agency or the president and members of the errant operating agency, for recall of a delegate in an administrative agency, or for disciplinary and material measures against individual workers who are responsible for the losses incurred.

If it is established that operational losses in a basic organization occurred because of suggestions, initiatives, opinions or other activities of the work collective of the labor organization or the broader organization of which it forms a part, the operating agency of the basic organization and the agency of workers self-management supervision in that organization are obliged to submit a proposal for initiating proceedings to establish the responsibility of that work collective, director of a work collective, delegate to an administrative agency or individual workers in a work collective.

If it is established that losses occurred in the operation of a basic organization because of suggestions, initiatives and opinions of an economic chamber, scientific, specialized or other self-management organization and community or the responsible agency of the sociopolitical community, those organizations, communities and the responsible agency of the sociopolitical community shall bear sociopolitical and other responsibility as established by law or a general self-management act.

The basic organization shall inform the responsible agency of the assembly of the sociopolitical community and the responsible public accounting office branch about the causes established for losses incurred and about the responsibilities of individual workers, administrative agencies and operating agency, or individual members of those agencies, and about proceedings initiated to dismiss identified operating agencies or the president and members of a collegial operating agency, recall of delegates from an administrative agency or disciplinary and material measures taken against individual workers who are responsible for losses incurred.

Organizations of associated labor that the Federal Executive Council has designated as organizations of associated labor that produce weapons and military equipment shall inform, in addition to the agencies in paragraph 2 of this article, the Federal Secretariat for National Defense.

#### Article 10

After article 53, the following text shall be added as article 53a:

##### Article 53a

If in the sense of article 53 of this law, a basic organization does not institute proceedings to establish the responsibility of individual workers, administrative agencies and operating agencies for incurred losses, the administrative agency of the labor organization or its broader organization is required to suggest that the workers of a basic organization that has incurred losses institute proceedings to establish the responsibility of individual workers, administrative agencies and operating agencies for the losses incurred.

If a basic organization does not institute proceedings to establish the responsibility of individual workers, administrative agencies and operating agencies for incurred losses, the administrative agency of the labor organization or the broader organization of which it forms a part under article 1 of this article, or the responsible agency of the assembly of the sociopolitical community shall without delay inform the responsible agency of the assembly of the sociopolitical community [sic] of this fact.



#### Article 11

Article 64 is changed to read as follows:

If the basic organization does not cover losses, or if by 31 December of the year in which the final account indicating the loss no self-management agreement is concluded on reducing repayment demands, the appropriate public accounting office shall without delay inform the responsible agency of the sociopolitical community for the purpose of instituting proceedings of civil suit against that basic organization.

In the case described in paragraph 1 of this article, the responsible agency of the sociopolitical community is obliged to consider the report of the appropriate public accounting office and report its opinion to the appropriate public accounting office within 60 days of receiving the latter's report.

If the responsible agency of the sociopolitical community does not report to the appropriate public accounting office within the time period set forth in paragraph 2 with its opinion, or if it states that it will not begin civil suit before the appropriate court, the public accounting office shall without delay submit notice of such civil action to the appropriate court.

#### Article 12

In article 216 paragraph 1, at the end of point 3, the period is changed to a semicolon, followed by the following text as point 4):

4) if it does not institute proceedings for the dismissal of an identified operating agency or the president and members of a collegial operating agency, or for the recall of a delegate to an administrative agency, or disciplinary and material measures against individual workers who are responsible for incurred losses (article 53 paragraph 1).

#### Article 13

In article 217, paragraph 1, at the end of point 3) the period is replaced by a semi-colon, followed by the following text as point 4):

4) if it does not inform the responsible agency of the assembly of the sociopolitical community and the appropriate public accounting office, or the Federal Secretariat of National Defense about the causes established for incurred losses and the responsibility of individual workers, administrative agencies and operating agencies or individual members of such agencies, as well as about proceedings instituted for dismissal of an identified operating agency, or the president and members of a collegial operating agency, or for recall of a delegate to an administrative agency, or of institution of disciplinary and material measures against individual workers who are responsible for losses incurred (article 53, paragraphs 4 and 5).

#### Article 14

After article 217 the following text is added as article 217a:

#### Article 217a

A bank granting credits shall be fined from 2,000 to 30,000 dinars if within 60 days of receipt it does not consider the request of a basic organization

for cancellation or postponement of interest payments, or postponement of payment of investment principal, or exemption from payment of obligatory pooled resources to the bank's funds. The same fine shall be assessed for failure to inform the basic organization of its decision (article 37 paragraph 3).

For violations described under paragraph 1 of this article, a responsible individual at a credit-granting bank shall be subject to a fine of from 1,000 to 5,000 dinars.

#### Article 15

As an exception to the provisions of article 11 paragraph 1 of this law, the appropriate public accounting office shall without delay inform the responsible agency of the sociopolitical community concerning institution of proceedings for civil action against a basic organization whose loss reported in the final account for 1982 has not been covered or which has not concluded a self-management agreement to reduce repayment demands to cover such loss by 31 March 1984.

#### Article 16

This law shall take effect 8 days after its publication in SLUZHBI LIST SFRJ.

12131

CSO: 2800/325

## YUGOSLAVIA

### BOOK ON MODE OF PRODUCTION DISPUTED AT KUMROVEC MEETING

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1691, 29 May 83 pp 19-20

[Article by Zoran Erak; "The Controversial 'Book of Hope'"; portions within slantlines in italics]

[Text] The reviews of Dr Miladin Korac's latest work, "The Socialist Self-management Mode of Production," have been most controversial, and range from the epithet "an intellectually explosive work," and "a book of hope," to the claim that it deals with and theoretically defines "something which does not exist, nor can exist."

That one book has provoked so many contradictory interpretations and has divided experts in evaluating it indicates that we are obviously not dealing with an ordinary literary work. And indeed, this is the case with the completion of the three-volume work of Dr Miladin Korac, entitled "The Socialist Self-management Mode of Production," which has recently been published in its entirety after 10 years of work. The first volume was published in 1977, the second in 1980, and the third last year.

Considering that it is, in reality, an attempt to establish a political economy of self-management socialism, and is, in many respects, "a pioneering work of relevance for the whole world," the theoretical disputes concerning the work also have, of course, a broader significance. Adding interest to the discussions are the opinions being expressed that neither the possibility nor the need exists for stating the political economy of a socialist self-managed society.

Since Dr Korac's work has spanned a period of over 20 years and has not had the "fortune" to be unknown and unaccompanied by study in the area of economics, and because it has already been exposed to the public in this country in various ways and has been the subject of critical reviews, it is logical to expect that with the formal completion of this part of the work, critical observations will also enter the final phase. And as it is that at the end of last week in the organization of the Center For Social Research of the Central Committee of the LCY, a 2-day discussion concerning the trilogy was held in Kumrovec.

As had been expected, different trends in the study of economics in this country were expressed in the evaluation of this work, the existence of different economic "schools" was ascertained, and the conflict between those who are prorevenue and those who are proprofit was continued.

In his introductory talk at the Kumrovec discussion, Dr Zarko Papic, as one of the important aspects of the Korac work, stressed the fact that this is one of the rare attempts which does not limit itself only to "our" area of study in research on socialist self-management. Criticizing Korac because he did not devote enough effort to a more thorough analysis of contemporary world processes and the current forms of capital reproduction, Papic felt that because of this the book might be open to debate as some conclusions follow a line that might have been demonstrated by Marxist analysis of world processes. Until now, there have not been enough serious analyses of world socialist practice. Historical objectivity concerning the struggle and development of socialist self-management has been neglected; its study has been limited to our experience in this country and this has deprived us of our historical objectivity.

#### The Reduction of a Reduction

The second problem indicated by Papic is that many of our studies reduce the social element to three aspects; to the /economic/ in a pragmatic, everyday sense, with the social aspect, the aspect of class, and the relations of societal forces ignored; then comes the reduction of a reduction--to the /market/ with an examination of the fact that it is being squeezed out so that then, as the third part of this process, the matter can pass to a discussion of the /efficiency of the functioning of the state./ All of this together acts to put the practice of self-management in a precarious position. Because of this, in Papic's opinion, the Korac study is a good example of an alternative to this type of approach, and that is why it is, for our state of affairs, an unusually serious and fundamental study. Papic also remarked that the inter-relationships in the socialist production of goods are not well developed.

Papic emphasized that the Marxist positions in this study are well analyzed as well as the analysis of problems involved in the capitalist mode of production. He said that Korac provided a basic analysis and study of socialist self-management relations in production and examined the historical development, the achievements and the possible "next steps" which might realistically be taken in the practice of socialist self-management.

Dr Zika Rakocevic, in his introductory talk, agreed with a few of the general opinions which had been expressed about the value of the work, and said that Korac had by no means "spared" Marx in many things, but that he saw value in this. This most probably means that Korac "is in a gigantic struggle with the theses that socialism and the production of goods are mutually exclusive," in connection with the positions of Marx and Engels. In Rakocevic's opinion, Korac gave good arguments for "permitting" such

a union. Rakocovic made some critical remarks concerning the trilogy, including one which expressed the opinion that the syntagms of "the state socialist production of "goods" was not well clarified, and also, that the author did not devote enough space and effort in the critical deliberation of positions opposed to his own. But he also faulted Korac because he occasionally ascribed somethings to Marx which are not Marxian. Even the discussion concerning the two Marxian concepts of cost price, he called a "fabrication" and a textbook example of a confused thesis.

In his report, Dr Tihomir Vlaskalic considered it important to emphasize that great confusion exists today in economic theory and politics, and this is a motivating factor and to some extent, a basic cause, for the current difficulties of the Yugoslav economy. Because of this, in his opinion, one can speak about the existence of two directions of theoretical orientation. One direction critically investigates both practical experience and the evidence for the further development of theoretical thought concerning socialist self-management. The other, in a pragmatic debate for the sake of attaining several immediate goals, strives in a practical way to challenge some of the fundamental attributes of the production relations involved in socialist self-management.

#### A Move Into the Future

In this regard, Vlaskalic discusses the existence of a crossroad, from which one road leads to the development and consolidation of a model of the so-called planned market economy, ignoring the inevitable changes in the nature of production relations, and from which the other road leads to a return to the model of an economy of associated labor oriented toward strengthening and resolutely developing the production relations of socialist self-management.

Later in the discussion, a few things were also said in connection with Vlaskalic's opinion that the Korac model was a "move into the future." Bogomir Kovac thought that this model was actually constructed on foundations foundations which do not exist! He criticized Korac because his approach to Marx is "to a large extent positivistic;" he then concluded that the author "pedantically catalogs Marx, but even more pedantically ignores him." Then, asserted Kovac, Korac's primary method is "abstract reductionism," and he moreover voiced his disagreement with the reduction of production forces to production relations.

Dr Zarko Puhovski clearly emphasized that he did not agree with many of Korac's theses, "but the work is here." He criticized Korac because one gets the impression from studying his positions that the socialist self-management mode of production is a continuation of the capitalist mode ("this is a methodological, but it is not a historical assumption as well"), and because he uses Marx's operative methods in a way which is often outside of Marx's spirit of thought; he even "abandons" Marx in establishing his viewpoints of certain problems.



Dragan Stojanov asked the question; "What, generally speaking, are the legalities of economics?" And he added another: "If the intention is to make it possible and necessary to control the legalities of economics by 'outside' interventions, are we not getting into an area of antieconomics?"

And Stojanov, as well as Kovac, thought that Korac had departed from the institutionally desired form (from a given plan), and that many of his theses did not have a natural flow.

The idea was expressed several times that Korac's work, because of its basis in the future, could be described as being utopian in many ways. Dr Vera Pilic, without denying that this was true, wanted to stress that in this case utopian was not a bad attribute. She even asked that Korac not repudiate the utopian because of the criticism which had been directed at him!

Dr Bozidar Cerovic thought that the marvelous thing about the book was the conclusion that another influence on the legalities of economics is possible. He added that, contrary to many opinions, Korac did not think that social ownership is something that is given, but that he had thoroughly thought out the paths to its implementation.

#### From the Real To the Utopian

One of the sharpest critics of Korac's work (on some earlier occasions), Dr Dragan Veselinov, said on this occasion that, of course, "it is easiest for criticism to be inspired by somebody else's work," and his remarks led to the conclusion that the ideology of Miladin Korac is not applicable to permanent revolutionary activity, and that assumptions about socialist predominance over the production of goods are not practically verifiable today. He added that Korac has not found the key to open the economic core of a socialist self-managed society.

Dr Franc Cerne's report also had a sharply critical intonation. One of the first questions he asked led to remarks about the "utopian" in Korac's work: "Is it possible for a political economy to be developed as something utopian, futuristic?" He answered that it was not.

The most essential thing that Dr Milovan Pavlovic saw in this trilogy was the fact that Korac has penetrated the cellular forms of society, and Bogdan Ilic saw it as being the discovery of lawfulness in the development of a socialist self-managed society.

Many of the participants in this discussion thought that one of the most important questions raised in this study was one which was mentioned earlier in this article: Who should influence the legalities of the economy in the socialist self-managed production of goods (if, generally speaking, it exists...), and how should this be done?

It is obvious that discussion about Korac's work is not yet close to being in its final phase. It will continue. And Professor Korac himself, at the end of the Kumrovec meeting, without joining in the polemics in any way, said that what had been done was only a "sketch," something more or less worked out, because, after all, the socialist self-management mode of production is still in the process of formation. Only with interdisciplinary studies including the participation of a much broader range of theoreticians will we arrive at more complete understandings about it.

Let us conclude this article with some opinions that were heard in the clamor of the sharp, critical polemics. They were that the work of Professor Korac has stimulated economic thought in our country for 20 years now, and that this work is "intellectually explosive," even, a "book of hope."

And after the close, Dr Stipe Suvara promised that he would attempt to prove in his written contribution that the socialist self-management mode of production does not, nor can, exist.

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